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DEPARTMENT OF THE INTERIOR AND RELATED
AGENCIES APPROPRIATIONS FOR 1973

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HEARINGS

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BEFORE A

SUBCOMMITTEE OF THE
COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES

NINETY-SECOND CONGRESS

SECOND SESSION

SUBCOMMITTEE ON DEPARTMENT OF THE INTERIOR AND
RELATED AGENCIES

JULIA BUTLER HANSEN, Washington, *Chairman*

DAVID R. OBEY, Wisconsin

SIDNEY R. YATES, Illinois

NICK GALIFIANAKIS, North Carolina

JOSEPH M. McDADE, Pennsylvania

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PART 6

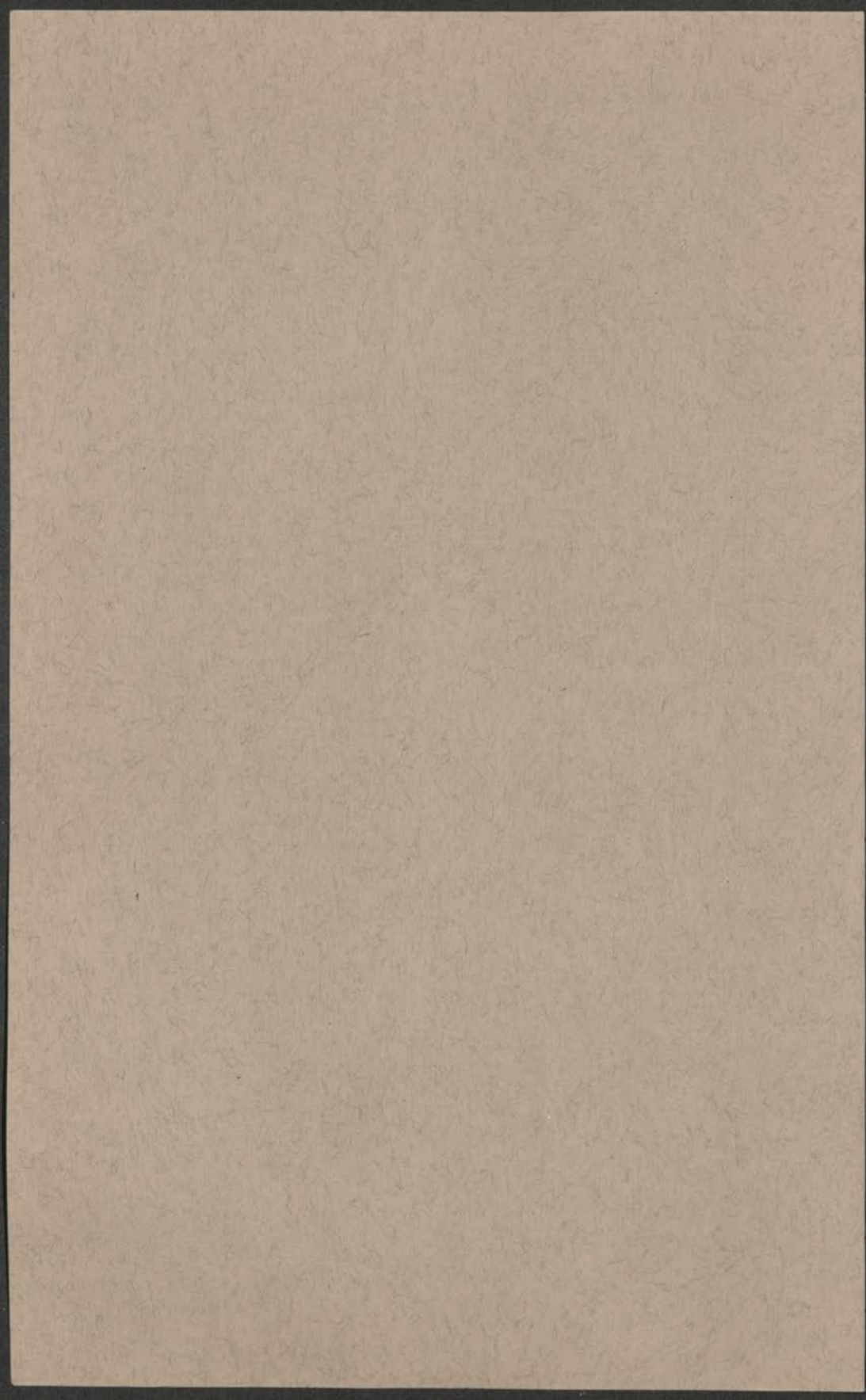
JOHN F. KENNEDY CENTER FOR
THE PERFORMING ARTS



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DEPARTMENT OF THE INTERIOR AND RELATED AGENCIES APPROPRIATIONS FOR 1973

HEARINGS BEFORE A SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES NINETY-SECOND CONGRESS

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THE PERFORMING ARTS



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WASHINGTON : 1972

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DEPARTMENT OF THE INTERIOR AND RELATED AGEN-
CIES APPROPRIATIONS FOR FISCAL YEAR 1973

THURSDAY, JULY 20, 1972.

JOHN F. KENNEDY CENTER FOR THE
PERFORMING ARTS

WITNESSES

ROGER L. STEVENS, CHAIRMAN, BOARD OF TRUSTEES, JOHN F.
KENNEDY CENTER

AARON L. SPAULDING, COMPTROLLER, JOHN F. KENNEDY CENTER

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JOHN F. KENNEDY CENTER

WILLIAM W. BECKER, OFFICE OF THE GENERAL COUNSEL, JOHN F.
KENNEDY CENTER

Mrs. HANSEN. The committee will come to order.

This is a rather unusual procedure today to have a hearing between the completion of the House bill and the completion of the Senate bill. However, the bill has not yet been sent to conference. Because there may be questions asked on the Kennedy Center at the time the conference report goes before the House of Representatives, I thought it would be well if we could have a thorough understanding of the essential financing problems.

Our principal witness today is Roger L. Stevens, the Chairman of the Board of Trustees of the John F. Kennedy Center for the Performing Arts. I am sure you have a general statement, Mr. Stevens. You may insert that statement in the record and summarize it, or if you want to read it, that would be fine.

Mr. STEVENS. Madam Chairman, I would like to place it in the record. I might touch on a few high spots.

Mrs. HANSEN. Your statement will be inserted in the record. You may summarize those aspects of it that you think are essential.

(The statement follows:)

STATEMENT OF ROGER L. STEVENS, CHAIRMAN, BOARD OF TRUSTEES,
JOHN F. KENNEDY CENTER

Madam Chairman, I am Roger L. Stevens, Chairman of the Board of Trustees of the John F. Kennedy Center for the Performing Arts. With me are Mr. William A. Schmidt, executive director of engineering for the Center; Mr. Aaron L. Spaulding, comptroller of the Center; and William W. Becker from the Office of the General Counsel of the Center. The Kennedy Center is now at the end of its first year of operations. It is a year which marks the beginning of the fulfillment of a mandate first given to the Board of Trustees almost 15 years ago to provide national leadership for the development and presentation of the performing arts in this country. The result of the first year effort speaks for itself. Week after week attendance at the three great houses of the Kennedy Center have exceeded the most optimistic expectations. The Nation's Capital was

provided with a fare of performing arts attractions which have been received with critical acclaim. In fact the most common statement made about the Center is that it has changed Washington and made it a more attractive place to live.

The provision of a memorial to the late President Kennedy, a mandate which was given to the Board of Trustees in 1964 by a bipartisan and unprecedented joint resolution of Congress, has also had its auspicious beginning during the Center's first year. In 1964, no one foresaw the extent of great public interest in the memorial aspects of the Center. From 8,000 to 10,000 tourists per day have visited the Center while its doors have been open to the public. Tourists to the Nation's Capital, have had the opportunity to view the bust of the late President executed by Robert Berks and the bust of President Eisenhower, and have also viewed the special features including the auditoriums and the many foreign gifts which the Kennedy Center continues to receive for the memorial. The \$1.5 million in appropriations for fiscal year 1972, now under consideration as part of H.R. 15418 by the conference committee, is to provide funds to the Kennedy Center to meet the obligations it has incurred to provide a memorial to the late President by admitting tourists.

Authorization for this appropriation is in section 9 of the Public Buildings Act Amendments of 1972, Public Law 94-313 which was signed by the President on June 16, 1972. This authorization added a section 8(b) to the Kennedy Center Act and specified that the authorization was for the "public costs of maintaining and operating the nonperforming arts functions" of the Kennedy Center. These costs were incurred by the Board of Trustees during this first year of the Center's operations in order to carry out the Board's activities of making the building available for the visitors to the Center who were not in attendance at theatrical presentations. The Public Buildings Amendments of 1972 also provide for the transfer of responsibility for the Center's nonperforming arts functions to the National Park Service commencing with fiscal year 1973.

During fiscal year 1972 it is estimated that expenditures totaling \$1,878,182 have been incurred for operation and maintenance of the Kennedy Center. This amount includes both costs jointly attributable to the performing and nonperforming arts functions of the Center and also costs incurred for protection services for the memorial. Of the \$1,878,182, \$1,510,789 has been allocated to the nonperforming arts functions of the Center for which appropriations are requested in the amount of \$1.5 million. The Office of Management and Budget has reviewed and found reasonable the method of allocation, which was prepared by Mr. Leonard Reamer, certified public accountant, special consultant, and partner in the firm of Elmer Fox & Co.

A more detailed budget justification has been transmitted to the committee with my prepared statement. Mr. William A. Schmidt, former Commissioner of Public Buildings and now Executive Director of Engineering for the Center, and Aaron L. Spaulding, comptroller of the Kennedy Center, are available in addition to myself to respond to any questions the committee may have which are not covered in the budget justification.

Before concluding, I would like to call your attention to the fact that the Center, a bureau of the Smithsonian Institution, was established as the National Cultural Center by Public Law 85-784, signed into law by President Eisenhower on September 2, 1958. The original act, adopted with strong bipartisan support in both Houses, provided for a Government-owned site upon which was to be constructed a cultural center financed by voluntary contributions. The Center was designed as the sole national memorial to the late President, and renamed the John F. Kennedy Center for the Performing Arts in Public Law 88-260, approved by President Johnson on January 23, 1964. The Center is governed by a Board of Trustees, originally 30 but presently numbering 45. Of these, nine serve ex officio, three (Congressmen Frelinghuysen, Roncalio, and Thompson) are appointed by the Speaker of the House of Representatives, three (Senators Fulbright, Percy, and Tunney) by the President of the Senate, and 30 by the President of the United States. A complete list of officers and trustees is attached. The officers are elected annually by the Board.

The first Chairman of the Board was Secretary Arthur S. Fleming who was succeeded by Ambassador L. Corrin Strong, and in 1961, by me.

In addition to the Board of Trustees, the President has appointed an Advisory Committee, which is provided for in section 2(c) of the act. A list of the members is attached. With members representing 50 States, the Advisory Committee acts as a liaison with people throughout the Nation.

We are most appreciative of the committee's consideration of this legislation. Thank you very much.

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GENERAL STATEMENT

Mr. STEVENS. I am Chairman of the Board of Trustees, as you mentioned, Madam Chairman. With me are Mr. William Schmidt, the Executive Director of Engineering for the Center; Mr. Aaron Spaulding, Comptroller of the Center; and Mr. William Becker, Office of the General Counsel for the Center. Also available for GSA, should any questions concerning construction be raised, are Jack Mulligan from the General Council's Office, and George Jorgensen of the Project Director's Office, and Ken Duberstein from the Congressional Affairs Office.

The Kennedy Center is now at the end of its first year of operations. It is a year which marks the beginning of the fulfillment of a mandate first given to the Board of Trustees almost 15 years ago to provide national leadership for the development and presentation of the performing arts in this country. The result of the first year effort speaks for itself. Week after week attendance at the three great houses of the Kennedy Center have exceeded the most optimistic expectations. The Nation's Capital was provided with a fare of performing arts attractions which have been received with critical acclaim. In fact, the most common statement made about the Center is that it has changed Washington and made it a more attractive place to live.

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Then in my prepared statement I review how we arrived at the figures. We have a detailed budget justification which we have made available to you. We state the laws under which the Center came into being. The budget justification which I made available to you, Madam Chairman, is quite detailed. Maybe you and the other members of the subcommittee may like to ask some questions on it.

Mrs. HANSEN. We have a number of questions. We will insert the justifications in the record at this point.

(The information follows:)

JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS—BUDGET JUSTIFICATION

CALCULATION OF TOTAL OPERATING EXPENSES FOR FISCAL YEAR 1972

During fiscal year 1972 it is estimated that a cost of \$1,878,182 has been incurred for operation and maintenance of the Kennedy Center. This amount includes costs jointly attributable to the performing and nonperforming arts functions of the Center and protection services for the memorial. Through April 30, 1972, the Kennedy Center has actually incurred expenses in the amount of \$1,458,182 and the estimated expenses through June 30, 1972, are \$420,000.

The Kennedy Center is a complex structure which includes three main hallways to which the general public has been admitted since the beginning of September 1971, although tourist activities were curtailed for 3 winter months for lack of funding. The principal costs for operating the structure are incurred for providing security, utilities, general services, operation and maintenance of mechanical and electrical systems, management and administration, and shop and other equipment. A detailed breakdown of the actual expenses incurred for these items through April 30, 1972, and estimated for the period remaining during fiscal year 1972, is attached as appendix A. Security, as set forth in appendix A, was provided principally by services of the National Park Service. The building being one of the largest all-electric buildings in the world, the cost for utilities is exclusively for electric power. Operation and maintenance expenses have been incurred for the purpose of preserving the estimated \$70 million public and private investment in the building, and to make it possible to keep the building open for visitations by both the general public and theater patrons. Management and administration expenses include the salary of the Director of Building Services, his immediate assistant, and support staff. Expenses for shop and other equipment have been incurred to provide equipment which has been necessary to operate and maintain the building.

At the beginning of the current fiscal year it was estimated that total expenses to be incurred for operation and maintenance of the building would be \$2,384,000. It was necessary for the Board of Trustees to substantially reduce the operating expenses because of the unavailability of funds. Costs savings were achieved principally in the reduction of expenses for utilities and for janitorial services. It is strongly recommended that the costs of janitorial services not be reduced in the future, because continued care of the building at a minimal standard will have a long term detrimental impact on the structure.

Of the total \$1,878,182 in expenses to be incurred during fiscal year 1972, the Trustees have made actual expenditures in the amount of \$519,808. A portion of the proposed appropriation for operation and maintenance would be used to reimburse the Board of Trustees for these actual expenditures, which were made with funds which are required for other trust purposes, as provided in the John F. Kennedy Center Act. \$331,332 of the total operation and maintenance

cost is for estimated accrued expenses for which invoices have not yet been received by the Kennedy Center, and also for estimated additional expenses through June 30, 1972. At the present time the Board of Trustees has in hand invoices totalling \$846,706. This amount, though not paid, has been incurred for operation and maintenance expenses during the current fiscal year. Finally, \$180,336 in expenses has been incurred by the Board of Trustees by purchase orders submitted to contractors for operation and maintenance expenses. This amount has been incurred, but in most cases the amounts of such purchase orders have not been paid. A summary of the breakdown of the \$1,878,182 by the expenses actually made and expenses accrued but not paid, is attached as appendix B.

It is emphasized that total cost of \$1,878,182 does not include costs which are attributable primarily to the Center's performing arts activities, which are financed from performance and other income and for which an appropriation has not been authorized by the Congress. No appropriation has been authorized and none of the appropriation will be used, for other than operation and maintenance expenses actually incurred by the Board of Trustees. None of the appropriation will be utilized for payment of construction obligations of the Board, or for the reimbursement to the Board for construction payments already made. In other words, the appropriation will be available only for operation and maintenance expenses incurred but not paid, or for reimbursement to the Kennedy Center for operation and maintenance expenses already paid out of trust funds which are required for other trust purposes.

ALLOCATION OF \$1,878,182 BETWEEN PERFORMING ARTS AND NONPERFORMING ART FUNCTIONS

To allocate a reasonable share of the total costs of operating the Center between performing arts and nonperforming arts functions, the following assumptions, which are deemed reasonable, were adopted:

- (1) The Center has been open generally 7 days a week, including holidays.
- (2) During the course of a year, the auditoriums are dark on the average of 2 days per week.
- (3) Ten hours during each 15-hour day have been devoted primarily to nonperforming arts activities, and the remainder primarily to the performing arts function of the Kennedy Center.
- (4) Routine security should be allocated in total to the Kennedy Center's nonperforming arts function. Security generally required in the theatrical business for performances is generally performed by ushers, for which the trustees make payment from performing arts funds. Security costs incurred for the Kennedy Center result principally because of its nonperforming arts function.

These assumptions are based both on estimates made at the beginning of the fiscal year and also on the experience of the Trustees during the current fiscal year. The application of these assumptions to allocate the total cost of \$1,878,182, between performing arts and nonperforming arts functions of the Kennedy Center is more fully set forth in appendix C. The result of the allocation is that \$1,510,789 is allocated to the nonperforming arts function, for which an appropriation is requested for fiscal year 1972. The Trustees will meet all obligations incurred in excess of the requested \$1,500,000 from its private trust funds.

DESCRIPTION OF THE NONPERFORMING ARTS, MEMORIAL FUNCTIONS, THE COSTS OF WHICH ARE TO BE MET BY THE REQUESTED APPROPRIATION

The Kennedy Center is a national institution memorializing an assassinated President. The performing arts are an important part of the activities of that memorial. However, its functions have been far more expansive than the mere presentation of performances in its theaters—concerts, operas, ballets, and plays.

From 8,000 to 10,000 tourists per day have visited the Kennedy Center when it has been open to the general public. As required by the legislation establishing the John F. Kennedy Center for the Performing Arts, a suitable memorial to the late President is provided in the Center. There is exhibited in the main hall, the grand foyer, a bust approximately 20 times life size, of the late President, executed by Robert Berks. Further, there is inscribed in marble famous quotations of John F. Kennedy. This part of the Center is comparable in concept to the national monuments which honor two other presidents, the Lincoln and Jefferson memorials.

The Center includes on its main level in the Hall of States and Hall of Nations the flags of the 50 States and the territories and the flags of all nations recognized by the United States. These flags are only part of the displays in the building.

Over 20 foreign nations have contributed to the memorial materials, fixtures, and furnishings, including beautiful and unique pieces of art, representing the finest craftsmanship from all over the world. A list of these contributions, which are viewed by the public, is attached as appendix D.

On the roof terrace level of the structure, above the three great theaters, there are three large galleries. In these areas, displays from among the 50 States and throughout the world are being exhibited.

Authorization for transfer to the Park Service of responsibility for these nonperforming arts activities of the Kennedy Center has been authorized by the Congress. However, they were carried out in fiscal year 1972 with the assistance of the volunteer services.

APPENDIX A

JOHN F. KENNEDY CENTER OPERATION AND MAINTENANCE EXPENSES, FISCAL YEAR 1972

(Actual through Apr. 30, 1972; Estimated May 1 through June 30, 1972)

Item	Through Apr. 30, 1972	Estimated May 1- June 30, 1972	Total
Security.....	\$254, 516	\$80, 000	\$334, 516
Utilities.....	489, 514	120, 000	609, 514
Janitorial services.....	222, 063	65, 000	287, 063
Operation and maintenance, management and administration, shop and other equipment.....	492, 089	155, 000	647, 089
Total.....	1, 458, 182	420, 000	1, 878, 182

Note: Actual through Apr. 30, 1972, includes expenses incurred which have been either invoiced and paid or invoiced and not paid. The Kennedy Center is currently revising its accounting systems, with the assistance of the accounting firm of Lutz & Carr. The revision, and concomitant reconstruction of fiscal year 1972 accounts will probably result in some changes in the above figures, which changes are expected to be not substantial in amount.

APPENDIX B

JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS

Statement of actual expenditures and accruals fiscal year 1972 (as of June 15, 1972)

Actual expenditures	\$519, 808
Invoices on hand (accounts payable).....	846, 706
Accruals not invoiced and estimated expenses through June 30 not incurred	331, 332
Operations and maintenance procurement by purchase order through construction contractor, primarily incurred but not paid.....	180, 336
Total	1, 878, 182

APPENDIX C

ALLOCATION OF \$1,878,182 BETWEEN PERFORMING ARTS AND NONPERFORMING ARTS FUNCTIONS

While the Kennedy Center has been open to the public during fiscal year 1972, the theaters have averaged approximately 2 dark days per week. Therefore, two-sevenths of each of the costs incurred jointly for both performing arts and nonperforming arts functions, with the exception of security, should be allocated to the nonperforming arts activities of the Center. In addition, because 10 hours of the total of 15 hours per day of operations has been utilized primarily for nonperforming arts activities, two-thirds (10/15) of the remaining costs (again excluding security) is allocated to the Kennedy Center's nonperforming arts function. Utilizing this method of allocating joint costs, 76.2 percent of such costs are allocable to the Kennedy Center's nonperforming arts function for fiscal year 1972.

Costs incurred for security, as included in the total figure of \$1,878,182, are not joint costs. Generally, a theater operation requires no security other than trained ushers, who are provided for each performing arts attraction at the Kennedy Center. Consequently, the total security costs included in the \$1,878,182 amount are allocated to the Kennedy Center's nonperforming arts function.

Under the above assumptions, the appropriation requested for the Kennedy Center's nonperforming arts function for fiscal year 1972 is as follows:

Item	Total	Allocated to—	
		Performing arts	Nonperforming arts
Security.....	\$334,516		\$334,516
Utilities.....	609,514	\$145,065	464,449
Janitorial services.....	287,063	68,321	218,742
Operation and maintenance, management and administration, and shop and other equipment.....	647,089	154,007	493,082
Total.....	1,878,182	367,393	1,510,789

It is fully recognized by the Kennedy Center that the allocation of expenses which are incurred for both the performing arts and the non-performing arts functions of the Center may be accomplished utilizing alternative methods than that adopted above. However, the allocation of joint costs as carried out above is, in the judgment of the Kennedy Center, a fair and equitable distribution of costs between the Center's two functions and accurately reflects the portion of the joint costs which should be borne by each function.

APPENDIX D

Australia.—Set of seven tapestries representing "the Creation," designed by John Coburn and woven by Aubusson.

Austria.—The opera house chandelier was designed by the Austrian firm of J. and L. Lobmeyr, makers of fine glass since 1822. Fifty feet in diameter, with more than 130 crystal elements, the chandelier requires nearly 2000 bulbs for lighting.

Belgium.—Mirrors from Belgium are on the second-tier lounges and green rooms of the opera house, the opera house box tier, the second tier concert hall lounge, in the restaurant and its foyer and in the buffeteria. The largest mirrored panels measure 9 feet by 58 feet and hang in two groups of five on either side of the opera house entrance in the grand foyer. The mirrors are manufactured by Glaverbel of Brussels and Mirox of Charleroi.

Canada.—The stage curtain for the Eisenhower Theater is the work of Madam Mariette Rousseau-Vermette, the well-known Canadian artist. It is of wool with red and black interlaced panels; 34 feet high, 44½ feet wide.

Finland.—Complete dinner service with place settings in white and serving pieces in high gloss black in the Kilta pattern by Oy Wartsila Ab, of the Arabia firm. (For gallery and promenade restaurants.)

France.—Two tapestries by Henri Matisse, "The Birds of the Air," "the Fish of the Sea," designs in blue and white, 6½ feet by 10½ feet. Reproduced by Le Manufacture Nationale des Gobelins.

Two bronze sculptures by Henry Laurens: "L'Oceanide," (1933) 9 feet by 3½ feet; "L'Automne," (1948) 3 feet by 5½ feet.

Germany.—Two bronze reliefs at main entrances on the Plaza Hall of States—"America," 43 feet by 8 feet; Hall of Nations—"War of Peace," 43 feet by 8 feet; by Juergen Weber of Braunschweig, Germany. The artist's impression of the Western World as a whole, with its pressures and contradictions.

Great Britain.—Bronze sculpture, "Figure", by Dame Barbara Hepworth, 6 feet tall, Box Tier Eisenhower Theater.

Ireland.—A Waterford crystal chandelier and four matching wall sconces for South Opera Lounge (box tier). The chandelier is made up of 4,000 individual crystal drops and weighs 1,008 pounds. Lighted with 116 bulbs, it measures 8 feet wide and almost 8 feet high.

Israel.—Concert Hall Lounge, Box Tier Concert Hall. The Lounge is 60 inches long, 20 feet wide, 20 feet high. Interior designed by Raphael Blumenfeld, one of Israel's leading architects.

Theme: Judaism and music from Biblical times to present. Ceiling by painter Seraga Weil, biblical scenes in blues and reds, remembered for the part music plays in them—40 panels.

North wall—walnut wood carved panel by sculptor Nehemia Azaz. 20 by 20 by 1½ deep. Based on Psalm 150.

Three remaining walls covered with predominantly silk fabric panels, scenes of life in modern Israel. In sepia ink by painter Yehezkiel Kimchi. Lighting designed by Aaron Adar.

Italy.—Marble over 3,700 tons—value \$1.1 million. Cut to specification for pairing, coping exterior wall facing, vanities in the lounges. Quarried in Carrara—(brought to United States by American shipping lines which donated the transportation.)

Japan.—Opera House stage curtain, 47 feet x 117 feet red and gold silk. Design conceived by Shimura of Nishijin in Kyoto, executed by master weaver, Sasaki. The design is described as "springing flowers", symbolic of progress.

Norway.—Concert hall 11 crystal chandeliers designed by Jonas Hidle, made by Christiania Glasmagasin.

Sweden.—18 chandeliers, grand foyer, designed by Carl Fagerlund, made by Orrefors Glassworks. Each is 15 feet long, 7 inches diameter. Each is made up of 64 units, and each unit is made up of 12 prisms in a brass fitting with six lamp bulbs. (Total lamps per chandelier: 384; total prisms per chandelier: 768.)

Switzerland.—Concert house orchestra foyer: Sculpture (metal with plastic relief), "Apollo X 1970", by Willy Weber. Weight 500 pounds.

Thailand.—Off-white Thai silk, double weave, for wall coverings.

Turkey.—Four porcelain vases, hand made and decorated by Turkish artists at "Yildiz Porselen Sanayii" of Istanbul; designed by Prof. Muhsin Demironat and executed by Miss Aytugl Gunsur and Miss Ayla Ankara. The original vase, from the 15th century, inspired by blown glass mosque lamps, is in the Topkapi Saray Museum in Istanbul.

Yugoslavia.—Two woolen tapestries.

"Of Dream," by Jagoda Buic, natural colors with gold threads; "At Dawnbreak 1969," by Mateja Rodici.

Argentina.—Two oil paintings by Raquel Forner entitled "Combat of the Astro-beings." Also, a bronze sculpture by Libero Badii, The Phoenix Bird.

India.—20 hand-hammered brass planters in the grand foyer.

Pakistan.—Carpets.

SUMMARY OF RESTAURANT AND PARKING CONCESSION AGREEMENTS FOR THE JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS

The Kennedy Center has entered into two concession agreements for the operation of the parking garage and of the three restaurants.

After competitive bidding, the Kennedy Center entered into a concession agreement with Apcoa—Washington, Inc., on February 21, 1969, under which Apcoa is to provide management services for an initial term of 15 years, with an option in Apcoa to renew for 10 years. Apcoa's bid was the best of several bids.

Apcoa is required to properly manage the garage and provide all necessary equipment at a cost of approximately \$130,000 to be borne by the concessionaire. An advance against revenues of up to \$3,500,000 from Apcoa to the Center is provided. By the end of fiscal year 1971, the Kennedy Center had completely drawn against the advance. The Kennedy Center is required to repay the advance out of parking revenues with interest.

Until full repayment of the advance, plus interest at the prime rate, net profits are divided evenly. Net profits are defined as the amount remaining after the deduction from total revenues of the following: operating expenses, 1/15 of the advance plus interest, management fees, and other expenses. After repayment, the Center's share of the first \$1.5 million of parking revenues is 70 percent of net profits; of the amounts in excess of \$1.5 million, 80 percent of the excess over \$1.5 million.

The garage operated at a net loss of \$7,360.70 through August 31, 1971. Net profits, prior to the amortization of the \$3.5 million advance and prior to the

division of net profits with Apcoa from the beginning of the garage operations through March 31, 1972, was \$386,207.81.

The Kennedy Center entered into a concession agreement with Canteen Corp. on June 28, 1965. The concession was granted to Canteen after consideration of competitive bids of other concerns indicated that the Canteen proposal was most favorable to the Kennedy Center.

The agreement required Canteen to invest \$1.25 million in the construction of the building. It provides that the Center is to receive 5 percent of net sales, or \$75,000 per year, whichever is greater. By amendment dated September 10, 1970, Canteen was required to advance against first-year rentals \$75,000, which advance made to the Kennedy Center. The term of the agreement is 16 years.

It is now estimated by Canteen Corp. that net sales per year will average \$2.5 million a year which is in excess of that originally contemplated in 1965.

Mrs. HANSEN. In January 1964, when Public Law 88-260 was enacted, the estimated construction cost of the Center was \$46.4 million.

When you testified before this committee in December 1969 the estimated construction cost had risen to \$66 million with the possibility of an additional increase of \$4 million resulting from various claims and miscellaneous changes.

Give us the computed cost to date of construction of the Center and explain any contingent liabilities still pending.

Mr. STEVENS. I guess we need GSA.

NEED FOR BACKGROUND INFORMATION

Mrs. HANSEN. Mr. Stevens, I think you will understand that this background information is important particularly when the conference report is considered by the House. A great many people will want to know:

(1) Will we be involved in the performing arts portion of the Center;

(2) Are we absorbing any of the construction costs in the maintenance cost;

(3) Have the last construction costs been presented to the Congress of the United States?

Those are the three essential points.

I am sure you are aware that whenever programs like those at the Center are considered there will be some dissertations on the floor. I would far rather have in a printed hearing all the essential facts before the bill goes to the floor so that the answers are there for the Members to read.

Mr. STEVENS. Yes, I know what you mean.

You asked about the three points. Shall I take those first before construction costs?

Mrs. HANSEN. No, I think the questions will bring out the points.

PENDING CONTINGENT LIABILITIES

This first question is on the contingent liabilities still pending.

Mr. STEVENS. Yes. I should like Mr. Schmidt to speak to construction costs.

Mr. SCHMIDT. Madam Chairman, in 1964 the GSA estimate for the building was \$46.4 million. When the Center went back to the Congress in 1969 for additional authorization, the estimate was \$62.2 million with an estimated additional cost that GSA could foresee before com-

pletion of the building, outside of possible delay claims, increasing the cost to \$66.2 million. The Congress then authorized a new limit cost of \$66.4 million.

Mrs. HANSEN. There is a sizable difference between \$46 million and \$66 million. Give us the factors that determine this increase.

Mr. SCHMIDT. The increase has been due primarily to the escalation of construction costs.

ESCALATION IN CONSTRUCTION COSTS

Mrs. HANSEN. What was the escalation index year by year during that 5-year interval?

Mr. SCHMIDT. This might well be illustrated by this graph which represents the construction index since 1923 and escalation over the period that this project was active, going all the way back to the preliminary design studies started in 1959; in 1964 the design was started; in 1966 the project was first put out in the marketplace for construction bids and a contract awarded in August; and then to mid-October 1971, when the project was substantially completed. These are the milestones in the design and construction period of the project.

The total escalation from the beginning to the substantial completion date is about 70 percent most of which occurred after the contract was awarded in 1966.

(Additional information follows:)

FACT SHEET—JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS

GSA is the contracting agency for the construction of the Center as agents for the Board of Trustees. The Chairman of the Board is the contracting officer for the design of the Center with GSA serving as a consultant to the Board's Building Committee.

Public Law 88-260 of January 23, 1964 naming the Center authorized an appropriation of \$15.5 million provided the amount was matched by private gifts and pledges and \$15.4 million of revenue bonds for the parking facility. The initial authorization was \$46.4 million, subsequently increased to \$66.4 million (\$23 million appropriation, \$23 million donations and \$20.4 million revenue bonds).

The architect, Edward Durell Stone, was engaged by the Trustees for preliminary site investigation in June 1959. Throughout 1959-1960 and 1961 he was periodically asked to do design studies, planning studies, and investigation work which led to outline plans by September 1962 which established the seating capacities of the three main halls and the film theater. This, in effect, established the scope and size of the structure.

In July-August 1964 an agreement was executed between GSA and the Trustees under which GSA would be agent for the Trustees in supervising design and construction. Also, the Trustees contracted with E. D. Stone to do the design. Final drawing were submitted by the A-E in November 1965 and revised finals in July 1966.

Although it is the usual practice of GSA to award construction contracts on a lump-sum basis after open competitive bidding, and it was earlier intended to so award the Kennedy Center contract, there are projects where exceptions are necessary and allowable under procurement regulations and the Federal Property and Administrative Services Act of 1949. The Kennedy Center is such a project. Among its distinctive features is the fact that it has received approximately \$3 million in gifts of equipment, materials, and fittings; many were received after the construction started. It is easier to allow for such gifts in a cost-plus-fixed-fee construction contract. Accordingly, in February 1966, with the concurrence of the Comptroller General it was decided to perform construction under a cost-fixed-fee contract with competition as to the fee amount.

A selected list of nine qualified general contractors was asked to submit fee proposals and these were privately opened on July 20, 1966. After negotiation,

the contract was awarded to John McShain, Inc., on August 1, 1966, for a fixed fee of \$249,000.

McShain's proposal indicated his intention to perform foundation and concrete work, as well as certain minor items, with his own forces. All other elements of the project were to be done by subcontract. These were competitively bid on a lump-sum basis but privately opened and subject to negotiation. A detailed procedure was used for review of proposals by a team representing McShain, the Trustees, and GSA which would then recommend action to the Contracting Officer.

Under this procedure, the first proposals solicited were for structural steel, electrical work, and mechanical work. On October 27, 1966, proposals for electrical work were opened. The lowest was \$6.6 million compared to GSA's estimate of \$5.9 million. The next day, October 28, proposals on structural steel were even further above GSA's estimate. The lowest proposal was \$7.7 million as opposed to GSA's estimate of \$5 million. Moreover, the proposals were based on 17,100 to 17,500 tons of structural steel while GSA had estimated 12,800 tons and the A-E had estimated 12,400 tons. Thus, there was at least a 33-percent increase in estimated steel tonnage and a unit cost increase of \$60 per ton, the latter going from \$390 per ton in the estimate to \$450 per ton in the low bid. GSA was under extreme pressure to get the project underway and was not aware of the changes in design which had occurred between the final drawings and completed working drawings. Estimates were based on what GSA regarded as "final drawings." The subcontract proposals were based on the completed working drawings.

After consultation between the Trustees and GSA, it was decided to withhold award of any subcontracts until an outside estimating firm could provide the Trustees with a new, independent estimate of cost of the project. This was accomplished by mid-January 1967 and, on February 7, 1967, with the approval of the Center and GSA, a contract for structural steel was awarded. Contracts for electrical and mechanical work were awarded by McShain in April and May 1967, respectively, and others were awarded progressively from that date on. The overall construction project was substantially completed in mid-October 1971.

Construction cost estimating, particularly in a rising market, is not an exact science. It is part science, part art, and part intuition. Sometimes this obvious fact is overlooked.

During the early days of the National Cultural Center, estimates were very rough and varied widely as changes in concept were adopted. In January 1963, after the structure had been sketched in its approximate final form, Stone estimated it might cost \$38 million. When Congress enacted Public Law 88-260 in January 1964, it considered that \$46.4 million would cover costs of design and construction. From that point there has been a more-or-less steady increase in estimated costs.

At the time the A-E contract was awarded in August 1964, the estimate was \$45.5 million. When the construction contract was awarded, GSA estimated the project cost at \$47.6 million excluding about \$1.4 million in furnishings and fittings. The unexpected overruns in electrical and structural steel proposals resulted in the decision to have the previously referred to independent construction cost estimate made. The new estimate indicated a total project cost of \$58.3 million or over \$9 million more than had been believed to be the cost at the time of construction contract award. (August 1966)

The board of trustees faced up to the hard facts of this larger estimate and in late February 1967, approved a recommendation of its building committee to proceed with the project after deferring approximately \$4 million of specific items of work which, occurring later in the construction sequence, could be postponed. By the end of 1967 the total estimated cost was \$60.3 million. By the end of 1968 it was \$61.9 million and on March 31, 1969 it was \$62.2 million.

On May 26, 1969 I testified before the House Public Works Subcommittee on Public Buildings and Grounds: "If all remaining work could be placed under contract today, if there were to be no further changes in requirements or increases in cost from whatever source, if there were to be no further unforeseen events, then for about \$62.2 million we believe we could complete the facility. But this is not likely to be the case. Between now and physical completion of the project I believe we must expect further increases in cost of about \$4 million. It could be higher since complete review of the plans from the point of view of artist and director has not been completed. Thus the gross cost can be about \$66.2 million. This is almost \$20 million above the January 1964 estimate, \$15.8 million to date and \$4.0 million anticipated."

The reasons for the almost inexorable growth of the project cost are not clear-cut and unanimously agreed. Some of the increase is due to error on GSA's part and on the part of the architect. Some is due to changes in the program of requirements after work had started. Some is due to untimely sequencing of subcontract awards because of fund shortage and to avoid overcommitment. Some is due to strikes and other acts beyond the Government's control. A sizable amount * * * is due to the meteoric rise in construction costs.

Between January 1964, when the Congress accepted an estimate of \$46.4 million and mid-October 1971 when the building was completed, the cost of building construction increased almost 70 percent due to inflation. Thus up to \$32 million of the increase could be charged to cost escalation. However, since some of the work was completed before this total increase was experienced, conservatively about \$16 million of the increase is due solely to escalation.

Careful control of the timing of subcontract awards to avoid overcommitment of funds has probably added about \$1.5 million to the cost of the work. Not all awards could be made when prudent construction practice dictated.

There has been \$4.9 million added to the contract cost by approved change orders. Most of these were due to job conditions and design corrections though about \$2 million of the amount is due to changes by the owner.

Acts beyond our control include a strike of longshoremen which prevented timely receipt of marble from Italy and the advent of jet aircraft at Washington National Airport. The latter increased costs of glazing and insulation of the center so as to insure against the effects of jet noise attenuation. These sorts of problem added \$6 million.

The remainder of the increase in cost since January 1964 is due to under-estimating. This has principally involved structural steel and concrete form work. There have been, of course, minor budget adjustments, some up, some down, but the total effect of estimating inaccuracies amounts to about \$3.5 million, or about 5½ percent of the budget cost, \$2.7 million of this is due to structural steel alone.

The trustees could have deferred award of a construction contract until budget plans could be finalized and thoroughly coordinated. However, standing against this is a stark fact that construction costs were then increasing at a rate of about 6 percent annually. This increase approached 12 percent annually, or 1 percent a month. The construction cost situation has been such that loss of time has become the most expensive element in a construction project. Had the trustees deferred the award of a construction contract until budget plans could be finalized and thoroughly coordinated the project cost would have reached an estimated \$85 million instead of the \$71 million now estimated as the approximate final cost.

At long last, a glimmer of hope in the escalation spiral!

The final quarter of 1971 showed an increase of only .05%, one half of 1%, in the Smith, Hinchman & Grylls Cost Index. Other barometers were equally optimistic, with the Engineering News-Record Index rising only .07%, while the bureau of Labor Statistics figure practically stood still. For the year, the SH&G Index rose 8.5%, considerably less than the rate of the past few years.

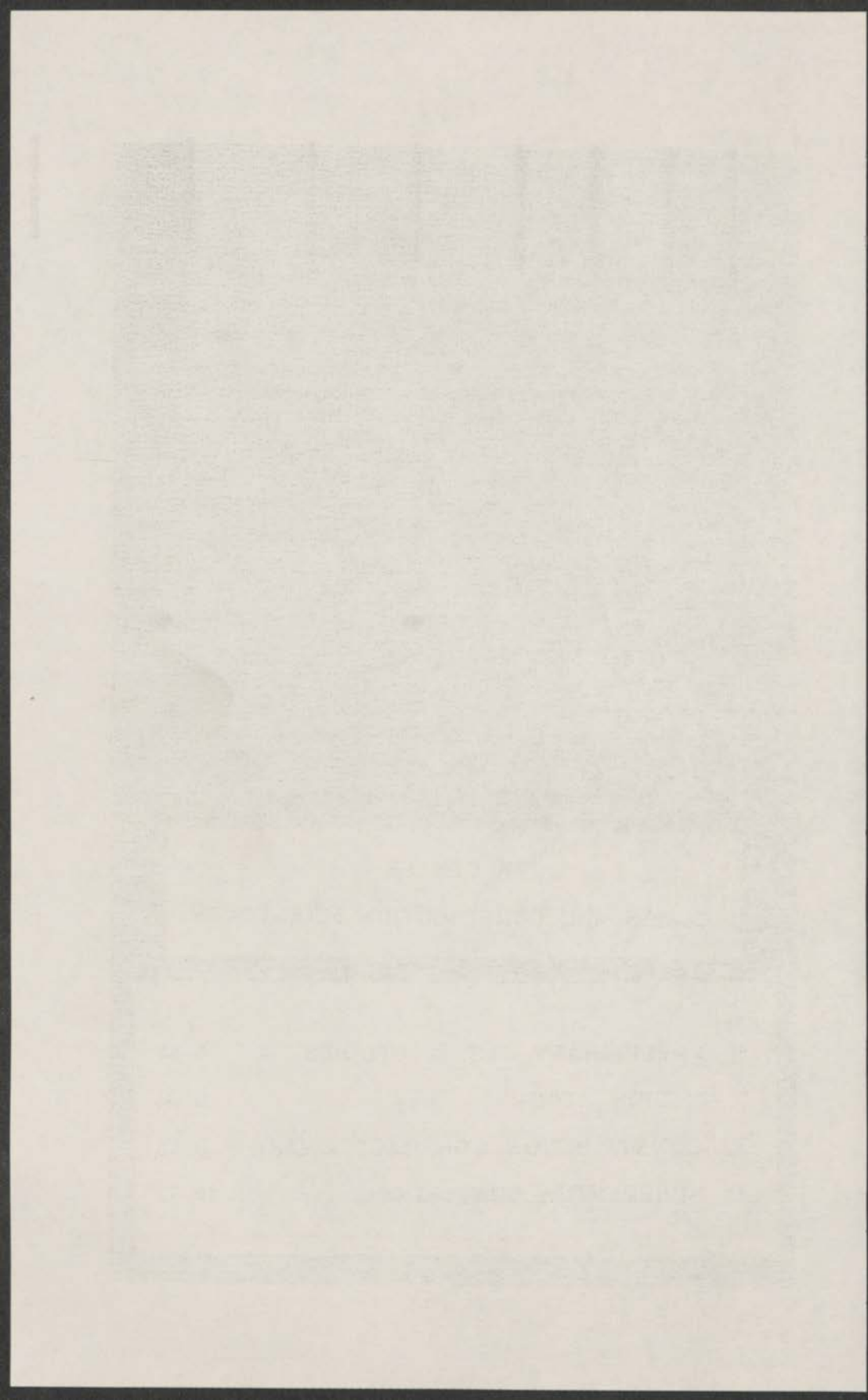
A slight decline in the prime rate for money promised continued financial support for construction, especially housing, which continued its record-setting performance. An increase in steel prices has just received government approval, as did the aluminum industry, but the effect on materials costs has not yet been felt.

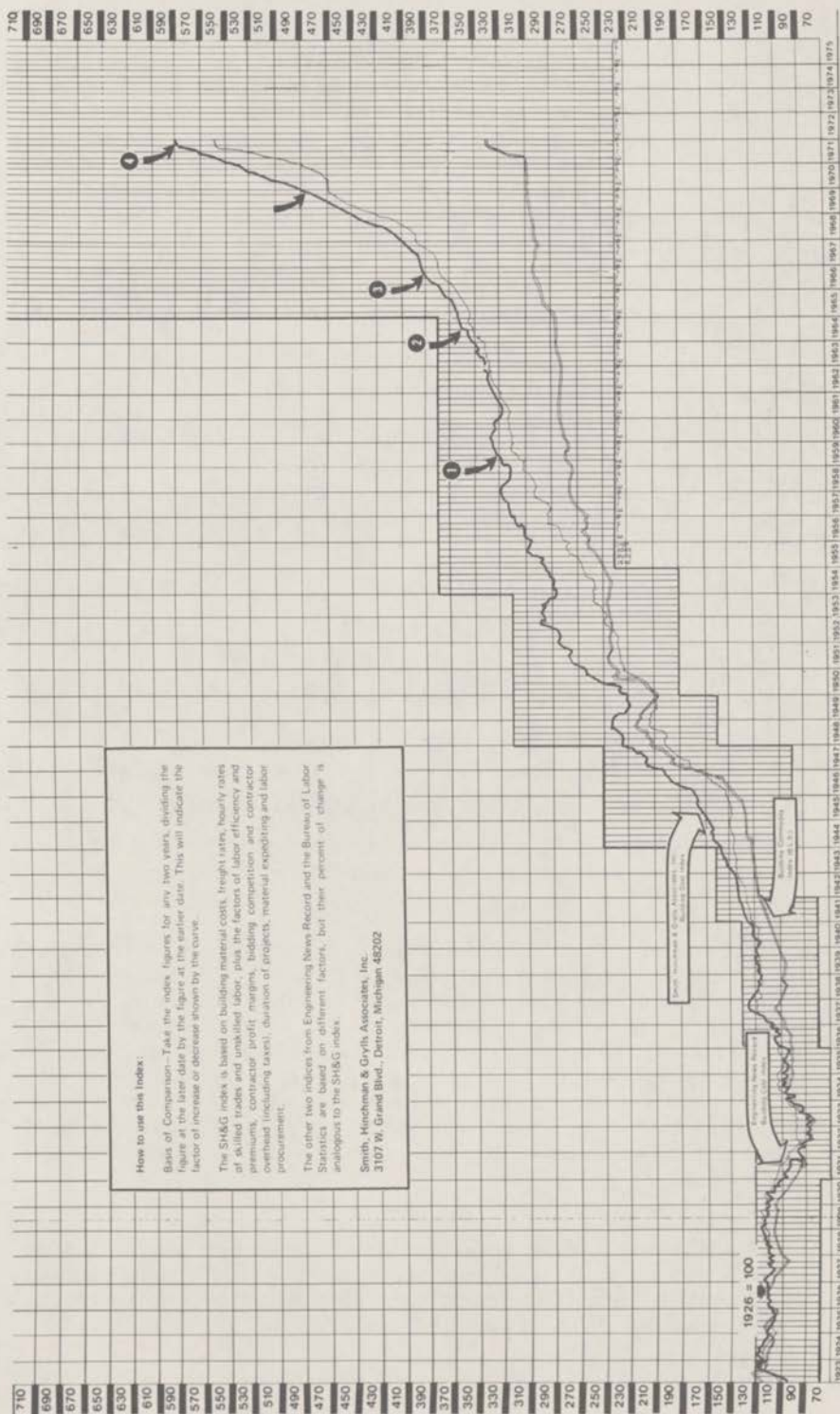
Unemployment fluctuated around the 6% figure.

JFK CENTER

DESIGN AND CONSTRUCTION MILESTONES

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VARIOUS ESCALATION FACTORS

Mrs. HANSEN. What were the various factors in this escalation? Was it changes in design? Was it labor? Was it particular problems that you encountered in construction, such as the Rayburn Building did when it was under construction?

Mr. SCHMIDT. To speak to some of the major points, initially part of the difficulty was in underestimating the cost of the steel, electrical work, mechanical work, and concrete work. Those are the major items.

Underestimating accounted for about \$3½ million of the cost overrun. Of that \$3½ million, about \$2.7 million was accounted for in the overrun in the amount of steel.

Mrs. HANSEN. Was this due to the fact that steel prices had risen?

Mr. SCHMIDT. Partly, but primarily due to error in estimating the total amount.

Mrs. HANSEN. In other words, you had not estimated the correct amount of steel needed in the original construction plans?

Mr. STEVENS. Tonnage.

Mr. SCHMIDT. GSA accepted the final drawings of the Architect as being complete. It was on this basis that the final estimates were reviewed. In the meantime, there were corrective changes made, apparently by the structural engineers and other designers. They increased the amount of structural steel. The tonnage was increased by 33 percent.

Mr. YATES. What was that figure?

Mrs. HANSEN. 33 percent.

Mr. YATES. A third?

Mr. SCHMIDT. Yes.

Mrs. HANSEN. That is structural steel for the building itself?

Mr. SCHMIDT. Right.

Mr. YATES. Why was there this drastic increase?

Mr. SCHMIDT. One of the things you have to consider in this building is that it's a very sophisticated, a unique building. You, in effect, have four complete buildings under one roof with each building isolated, acoustically, so that a performance can be conducted in all of the auditoriums at the same time without interference with each other.

Mr. YATES. That was present at the time of the original estimate; wasn't it?

Mr. SCHMIDT. Yes; but I think the full impact of it on the structural system wasn't known.

Mr. STEVENS. Plus the fact that just about the time, when they were finishing the plans, the jets started flying from National Airport which, under the original plans, hadn't been anticipated. If you go to the top of the building and see the steel necessary to hold up the concrete on the roof, you think you are up there on a bunker or something like that, there is so much steel. But they have accomplished their aim. They have adequately protected the structure from jet airplane noise.

SAFETY NEEDS OF PUBLIC BUILDINGS

Mrs. HANSEN. You have one major factor in any public facility construction which involves entertainment. That is the constant need to safeguard the public against the collapse of the building or any threat to safety; isn't this true?

Mr. SCHMIDT. The code requirements are far more rigid for a building that is open to public assembly, such as the Kennedy Center. Any theater falls into the same category.

Mrs. HANSEN. Building authorities have become increasingly aware of the safety needs of any buildings housing theaters for the performing arts; is that not true?

COMPARATIVE CONSTRUCTION COSTS

Mr. STEVENS. Yes. I would like to add a comment. Madam Chairman, that I have made to the Public Works Committee. Our building, on either a cubic foot or square foot basis, is actually about two-thirds the cost of Lincoln Center—I have the exact figures which I can make available to you—without allowing for the tremendous escalation that has taken place since Lincoln Center was finished. Taking inflation into account, the Kennedy Center building is less than half the cost of the Lincoln Center.

(The information follows:)

COMPARATIVE COSTS OF JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS

	Date completed	Square feet	Cubic feet	Cost	Amount per square foot	Amount per cubic foot
Philharmonic Hall.....	1962	230,000	4,620,000	\$19,270,000	\$84.00	\$4.17
The Philharmonic Hall was substantially completed in 1962. Since that date construction costs have escalated more than 70 percent.						
New York State Theatre.....	1966	295,000	5,170,000	19,540,000	66.00	3.78
Metropolitan Opera.....	1967	554,000	12,200,000	46,340,000	84.00	3.80
(1) Buildings in Lincoln Center serviced by Central Mechanical Plant which cost \$3,500,000 additional.						
(2) The Metropolitan Opera was substantially completed in 1967. At this time the Kennedy Center was in its earliest construction phase. The cost of construction escalated some 50 percent between 1967 and 1971.						
John F. Kennedy Center.....	1971	1,500,000	27,100,000	† 70,000,000	46.67	2.58
Cost of construction escalated more than 25 percent between the last hearing in 1969 and September 1971 when the Kennedy Center opened.						

† Estimated.

Mr. STEVENS. It's a very unique and difficult building to estimate. It isn't like you are doing an apartment house or office building where you just put one floor on top of another.

Mrs. HANSEN. You have accounted for \$3.5 million of the \$20 million difference, what accounts for the rest of it?

Mr. SCHMIDT. Escalation accounted for about \$16 million before the project was completed.

Mrs. HANSEN. That was the time from the acceptance of the contract until the completion?

Mr. SCHMIDT. Yes; that is correct.

ESSENTIAL INGREDIENTS OF ESCALATORY COSTS

Mrs. HANSEN. What were the essential ingredients of the escalatory costs?

Mr. SCHMIDT. The escalation cost from the time of the contract award to completion was a total of about \$32 million. Allowing for work that was already in place, about \$16 million can be attributed to escalation which the project sustained while it was between 50 percent completion and 100 percent completion.

Mrs. HANSEN. Give me some examples of the escalatory costs.

Mr. SCHMIDT. The increase was primarily in labor.

Mrs. HANSEN. Was it the increased amount of labor? How did the wage rates vary?

Mr. SCHMIDT. I can't speak to the details on the labor rates unless the General Services Administration people can. As far as the amount of labor is concerned, I think this has been checked and is being checked very carefully in reviewing delay claims. The amount is substantially the same number of mandays of labor as the contractors estimated they would require to perform the job when they submitted their bids. So that the escalation is primarily one of increasing wages.

Mrs. HANSEN. Did this occur on other projects at this time in the Washington area?

Mr. STEVENS. Practically every project, Madam Chairman, whether it has been public or private enterprise, faced the same problem.

Mrs. HANSEN. The \$16 million, which is due to escalation during the construction, and the \$3.5 million underestimate totals \$19.5 million. You still have not accounted for the total difference. What is the rest of it?

Mr. STEVENS. \$46 million to \$66 million is a rough estimate.

Mrs. HANSEN. But there is still approximately \$1 million that is not accounted for.

Mr. SCHMIDT. \$1½ million can be accounted for in the timing of subcontract awards. This is a cost-plus-fixed-fee contract with subcontracts individually awarded on a competitive, fixed-price basis. In the beginning of the project, back in 1966, the trustees proceeded on the basis of an architect project estimate of \$46.4 million. When the steel and electrical bids were received substantially over estimate, they authorized a new and independent estimate which indicated that the project cost was over \$58 million rather than \$46.4 million. Then it became necessary for the trustees to identify some \$4 million worth of work and parts of the interior that could be deferred so that a decision to proceed with the contract could be made within available funds.

The time required to make this decision held up three of the major subcontracts—structural steel, electrical, mechanical—and, in addition, the concrete work.

What I am getting to is that the untimely award of subcontracts accounted for approximately \$1.5 million in added costs. Also, there were design deficiencies and omissions which accounted for added costs and delays in completion.

STATUS OF CONSTRUCTION CONTRACT

Mrs. HANSEN. Please insert in the record a list of the subcontracts, the date of their award, and the amount of each.

Mr. SCHMIDT. This can be done, yes.

Mrs. HANSEN. Also insert in the record a detailed analysis of unpaid balances currently existing solely in connection with the construction of the center. It would be well if you would break these down between contested and uncontested claims.

Mr. SCHMIDT. GSA will furnish this for the record.

(The information follows:)

FINANCIAL STATUS OF CONSTRUCTION CONTRACT (AS OF JULY 10, 1972) JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS

Contractor/subcontractor	Contract award date	Amended contract amount	Unpaid balance	Delay claim amount	Type work
John McShain, Inc.	Aug. 18, 1966	\$15,167,563	\$339,502	¹ \$1,803,277	General contractor.
Washington Air Compressor Co.	Apr. 10, 1967	53,982			Blasting.
Bethlehem Steel Corp.	Feb. 14, 1967	7,977,941	5,000		Structural steel.
Pierce Associates, Inc.	Apr. 26, 1967	9,956,256	342,278	² (1,495,347)	Mechanical.
Ernst-Fischbach-Moore, Inc.	May 5, 1967	6,976,593	55,934	² (281,503)	
				² 368,497	Electrical.
Granite Research Industries, Inc.	June 28, 1967	752,961	20,905		Architectural cast stone, fabricated.
Anning-Johnson Co.	June 8, 1967	100,951			Concrete plank.
Otis Elevator Co., Inc.	July 6, 1967	1,139,346	113,271	¹ 125,100	Elevator and escalators.
M. J. Byorick	July 12, 1967	426,177		⁴ 56,000	Reinforcing steel.
Potomac Iron Works, Inc.	Oct. 19, 1967	851,081	25,795	⁴ 75,000	Miscellaneous metal.
Usona Manufacturing Co.	Sept. 29, 1967	841,036	77,345	¹ 71,000	Architectural metal.
Peter Bratti Associates	do.	582,569	48,750	¹ 100,000	Marble, paving, interior and miscellaneous.
Washington-Ply-Rite Co.	Dec. 12, 1967	16,959	848		Metallic waterproofing.
Blazier Co.	Oct. 4, 1967	1,471,148	27,630	⁴ 220,000	Lathing and plastering.
Inland Steel Co.	Oct. 31, 1967	101,185	26,803		Steel floor and roof deck.
Firedoor Corp. of America	Nov. 14, 1967	128,878	4,688		Hollow metal.
Webb Builder's Hardware	Nov. 27, 1967	176,089	6,262	⁴ 16,700	Hardware.
Warren-Ehret-Linck	Nov. 28, 1967	218,102	13,029	⁴ 5,500	Roofing.
Armstrong Contracting & Supply Co.	Dec. 8, 1967	237,519		⁴ 8,850	Thermal insulation.
Bilton Insulation Co. (Lockwood)	Dec. 12, 1967	765,338	9,222	¹ 70,000	Acoustical units and sound insulation.
Overly Manufacturing Co.	Feb. 16, 1968	443,362	35,783	⁴ 57,500	Acoustical doors and frames.
Prospect Associates, Inc.	do.	291,823	14,591	¹ 95,000	Dampproofing-elastomeric.
E. L. Seward & Associates	Mar. 19, 1968	39,219		⁴ 330	Manually operated monorail system.
Capital Products, Inc.	Mar. 11, 1968	10,532			Steel rollup power doors.
Joseph Vasconcellos, Inc.	Mar. 21, 1968	948,338	18,435	¹ 300,000	Stage equipment.
Southern Plate Glass Co.	July 31, 1968	1,249,720	58,032	¹ 39,500	Window wall.
John B. Kelly, Inc.	Sept. 26, 1968	1,960,409	32,317	² (110,000)	Masonry.
Granite Research Industries	Oct. 14, 1968	387,085	18,535		Architectural cast stone, Erect.
Joseph F. Murphy, Jr., Inc.	Nov. 22, 1968	152,119	66,302		Sealing.
Woodwork Corp. of America	Mar. 13, 1969	903,654	100,155	⁴ 32,440	Millwork (architectural wood).
American Seating Co.	May 26, 1969	398,983	95,949		Auditorium seating.
Peter Bratti Associates	Oct. 8, 1969	389,689	28,237	¹ 28,000	Ceramic tile and terrazzo.
Global Steel Products	Oct. 15, 1969	53,655	36,555		Plumbing enclosures and partitions.
Clifton D. Mayhew, Inc.	Nov. 5, 1969	630,659	140,018		Painting and finishing.
Coughlin-Berk, Inc.	Dec. 10, 1969	148,347	28,367		Wood flooring.
Washington Shade & Awning Co.	Nov. 5, 1970	12,839	2,027	¹ 7,000	Drapery and curtains.
Curtin & Johnson, Inc.	Aug. 31, 1970	117,850	8,786		Concrete curbs and gutters.
Washington Carpet Sales Corp.	Sept. 15, 1970	278,385	13,974		Carpet.
Southeastern Floor Co.	do.	63,208	21,771		Resilient flooring.
General Drapery Services, Inc.	Nov. 13, 1970	500,974	80,864		Fabric wall covering.
James F. Gaghan Plumbing Co.	June 22, 1971	48,350	9,480		Decorative spray fountains.
Total		56,970,874	1,927,441	³ 3,479,694	

¹ Claimed amount to be negotiated by GSA and contractor.

² Included in amended subcontract amount.

³ Portion of delay claim settlement not paid to date.

⁴ Revised claim after negotiations between GSA and contractor.

⁵ Total excluding those amounts identified by footnote (1).

Source: Prepared by project director, GSA July 24, 1972.

Mr. YATES. What is the total cost?

Mrs. HANSEN. Can you give the information to the committee now? How much is being contested?

Mr. STEVENS. Let's put it to claims that aren't settled. As to the amount, about half of the claims have been settled.

TOTAL AMOUNT OF UNPAID CLAIMS

Mr. HANSEN. What is the total amount of the unpaid claims?

Mr. STEVENS. Of the unpaid balance?

Mrs. HANSEN. Yes.

Mr. STEVENS. There are \$2.4 million of bills payable under the contracts. There are approximately \$0.6 million to \$1.7 million for claims to be settled.

Mrs. HANSEN. Are these in court?

Mr. STEVENS. We are not in court.

Mrs. HANSEN. You are not in court on any of the claims?

Mr. STEVENS. No.

Mrs. HANSEN. They are just a matter of dispute between the center and the contractors?

Mr. STEVENS. That is right.

Mrs. HANSEN. Mr. Yates?

COST OF DISPUTED CLAIMS

Mr. YATES. What is the total cost of the center with the disputed claims?

Mr. STEVENS. If the disputed claims were allowed?

Mr. YATES. Yes. There is a possibility some of them will not be allowed. But assume all the claims were later ruled to be valid ones, what is the total cost of the center?

Mr. STEVENS. Bill, do you want to answer that?

Mr. SCHMIDT. I think the total cost of the construction contracted for, including settlement for the delay claims, will approach \$71 million.

Mr. YATES. Of that amount, what settlements do you anticipate making?

Mr. SCHMIDT. This is a question for GSA, because the General Services Administration is the agent for the center on the contract. However, let me say this: The total submitted claims amount to about \$6.1 million. Hopefully, this can be settled somewhere around \$4 million.

Mr. YATES. So the total cost of the center will be somewhere between \$65 and \$70 million?

Mr. SCHMIDT. Between \$70 and \$71 million, adding on the delay claims.

Mrs. HANSEN. You have already spent, as I gather, \$66 million.

Mr. SCHMIDT. Excluding the delay claims completely, I would say that the construction contract work will probably be finished within the \$66.4 million authorization.

Mrs. HANSEN. Excluding the approximately \$4 million to \$6 million disputed claims, is that correct?

Mr. STEVENS. That is right.

Mr. YATES. Of this amount, how much money has Congress appropriated for payment of claims?

Mr. SCHMIDT. Congress has appropriated \$23 million.

Mr. STEVENS. Nothing for payment of claims, sir.

Mr. YATES. I mean for construction of the center.

Mr. STEVENS. \$23 million.

NEED FOR ADDITIONAL FEDERAL FUNDS

Mr. YATES. Will you have enough money on hand to pay for the center? Or will you be required to come back to Congress again?

Mr. SCHMIDT. This is a question that Mr. Stevens may wish to address himself to.

Mr. STEVENS. Congress has advanced \$20,400,000 on a loan.

Mrs. HANSEN. But this is for the garage?

Mr. STEVENS. Yes.

Mrs. HANSEN. Which is supposed to be retired by your revenues, isn't that correct?

Mr. STEVENS. Out of the garage revenues. Payments don't start until 1978.

Mrs. HANSEN. That is correct.

Mr. STEVENS. But the \$23 million grant which was made in addition by the Congress was on a matching basis, Mr. Yates. We have actually raised privately close to \$30 million. Because we have had no overhead money, no administration money from the Government, for 10 years—actually, it's 12 years—we were required to raise that much money to be able to meet the estimated \$66.4 million cost of construction.

The long and short of it is when the principal contractors walked off the job until their delay claims were paid, we had a matter of judgment. We might have kept the claims down a lot lower if we had been able to fight with the contractors. But, meanwhile all construction stops and the escalation goes on. The best advice I could get indicated that even if we won the battle with the contractors, we would lose the war because it would cost us \$10 million more to complete the building, and where were we going to get that?

We did settle the claims of the two leading contractors, the mechanical and the electrical contractors. We settled with them on a fixed amount. It's those settlements that leave us short of money because we had to pay them before they would finish the job. It was really a matter of judgment whether to try to fight the claims which we may have been able to cut down, but the result would have been the need for another \$10 million.

Mr. YATES. Will you be required to come back to Congress for more money?

Mr. STEVENS. I don't know.

Mrs. HANSEN. You have expended \$66-plus million. This includes your garage construction.

Mr. STEVENS. Right.

Mrs. HANSEN. This is borrowing authority which you were given?

Mr. STEVENS. Yes, we have used it.

Mrs. HANSEN. That amounts to \$20.3 million?

Mr. STEVENS. \$20.4 million.

Mrs. HANSEN. But that money is due back to the Government of the United States over a long period of time from your garage revenue.

Mr. STEVENS. Right.

Mrs. HANSEN. Actually, out of the \$66-plus million, about \$20 million will be repaid. You also have had private contributions of about \$30 million.

Mr. STEVENS. Close to \$30 million.

EXTENT OF FEDERAL PARTICIPATION

Mrs. HANSEN. That totals \$50 million. To what extent has Congress participated in the construction costs?

Mr. STEVENS. Roughly two-thirds.

Mr. BECKER. \$23 million.

Mr. YATES. Those are actual appropriations which do not have to be repaid?

Mr. BECKER. Those were matched by private funds.

Mrs. HANSEN. Which do not have to be repaid?

Mr. STEVENS. No.

Mrs. HANSEN. So the \$30 million from the private contributions more than matched the Government's contribution of \$23 million?

Mr. STEVENS. That is right.

Mr. YATES. But that is \$53 million. And the cost is \$66 million. Where is the other \$11 million coming from?

Mr. STEVENS. When I say \$30 million, Mr. Yates—

Mrs. HANSEN. The garage is included in the cost. The garage funds are in the form of lending authority, which is repayable over a long period of time. What is the term?

Mr. STEVENS. Fifty years.

Mr. YATES. Then the \$20 million loan from Congress should be added to that so that becomes \$73 million? Is that what the investment of the building is?

Mr. STEVENS. Mr. Yates, a lot of the gifts that we have were from foreign governments, which were never figured in the cost of the building, but which are there and add to the building.

Mrs. HANSEN. That is part of the \$30 million private contribution?

Mr. STEVENS. Yes.

Mrs. HANSEN. What was your cash contribution?

Mr. STEVENS. I would say it was well over \$23 million in cash, because we had to have that to match your \$23 million. We had 12 years of operating; and with overhead and administrative, that ran a couple hundred thousand a year.

Mr. YATES. You have had approximately \$23 million in cash from the Government and perhaps a little more from outside sources. That makes \$46 million. Then the \$20 million loan.

Mr. STEVENS. Right. That is how it was figured.

Mr. YATES. That is all. Thanks, Madam Chairman.

Mrs. HANSEN. Mr. McDade?

Mr. McDADE. Not at this point, thank you.

Mrs. HANSEN. Mr. Wyatt?

Mr. WYATT. I have some questions. Actually, your theater houses have been operating at a greater attendance rate than originally estimated.

Mr. STEVENS. That is right.

REPAYMENT OF LOAN

Mr. WYATT. Yet your statement says that the garage operated at a net loss through August 31, 1971.

Mr. STEVENS. That is right, because there weren't any houses operating.

Mr. WYATT. I see. Do you anticipate that you will have a profit and that you will in fact be able to repay the loan on schedule? Or is this going to be another Kennedy Stadium operation? That is a question which is going to be in many minds.

Mr. STEVENS. I would think, starting in 1978, that the payments could be met; yes, sir.

Mr. BECKER. This is providing we can work out the current problems that we have in meeting construction obligations that exist. Presuming we are able to meet those obligations by 1978, I think that it is well-established that there are going to be sufficient funds generated from the operations of the parking garage that we should be able to make payments against the loan.

Mr. YATES. Provided you meet what obligations?

Mr. BECKER. Provided we are able to meet the critical construction obligations that are now outstanding. I believe that the operating figures to date seem to indicate that we will be able to meet the requirements for amortization or at least payment of interest on the revenue bonds beginning in 1978. But we first have a very critical road to cross, which is a matter to which Mr. Stevens has already referred. That is, meeting the remaining and outstanding construction obligations, both under the construction contract and also the delay damage claims.

Mr. WYATT. Madam Chairman, I have some questions about what is being requested here for the nonperforming operations costs.

Mrs. HANSEN. We will get into the operating cost in a few minutes. There has been some question, as you are well aware, Mr. Stevens, that you are going to use whatever funds Congress provides to repay construction costs. We want to make sure that the hearing is as frank as possible to show that this is exactly whatever it is purported to be.

Mr. STEVENS. Madam Chairman, I can assure you of that.

ELEMENT OF A MEMORIAL

Mrs. HANSEN. The ingredients of this project, and I am going to be very frank, are different from projects the committee usually considers—there is the element of a memorial. I doubt that there is one single Member of the House of Representatives who would contend that the United States was out of line in providing a memorial to John F. Kennedy.

You have the elements of a memorial to an assassinated President as well as a performing arts operation. There are school youngsters who write me repeatedly, "Are visitors allowed at the Kennedy Cen-

ter? Can we go and see the Center? I think the Center should be viewed as both a performing arts theater operation, and also as providing for a memorial to a President. There are few, if any, memorials, to my knowledge, maintained for a President of the United States by private funds. I think I am correct.

Mr. STEVENS. That is right.

Mrs. HANSEN. The Lincoln and Jefferson Memorials, the Washington Monument, are all public memorials. So it's necessary to separate the essential ingredients of the memorial from the performing arts operation.

Mr. YATES. Perhaps they should have used the word "memorial" in the name, "Memorial Center."

Mr. WYATT. I would agree with much of what you say. But I think you will find that they are many, many Members of Congress who would feel that \$23 million of construction costs, plus the \$20.4 million loan for the garage rather well meets whatever our memorial obligation might be, particularly when you look at the fact that President Franklin D. Roosevelt, almost 30 years after he died, has no memorial whatsoever other than a little stone marker down on Pennsylvania Avenue.

Mrs. HANSEN. The problem is the maintenance of the memorial section. That is where we are concerned. I was in Yorktown and looked at the memorial that Congress started shortly after the American Revolution. I think it took almost 100 years to finish it. The public, through the Government of the United States, maintains that memorial to the Battle of Yorktown.

As I recall, the Washington Monument took a great deal of public contributions, but the maintenance of it is directly upon the Government of the United States.

Mr. McDADE. Will you yield?

Mrs. HANSEN. Yes.

INTEREST ON LOAN

Mr. McDADE. I think there has been a fine record made on contributions, appropriations, public fund raising of substantial amounts. One thing I wanted to get in the record at this point is the interest on the borrowing of \$20 million. Is there currently an interest charge against the \$20 million?

Mr. STEVENS. No, sir; it's accruing.

Mr. McDADE. At what rate is it accruing?

Mr. STEVENS. It varies, as I recall, whenever the current rate was set when the money was taken down. There are different rates.

Mr. McDADE. So that we have it clear, the Center must pay the current rate against that borrowing authority. There is no special concession?

Mr. STEVENS. No; there is no special concession. Actually, the rate got higher later.

Mr. McDADE. It's a variable rate that reflects the market conditions, whatever the market conditions are?

Mr. STEVENS. Yes.

Mrs. HANSEN. Mr. Clawson?

Mr. CLAWSON. I don't have any further questions in connection with the construction area.

PAYMENT OF MAINTENANCE COSTS

Mr. YATES. I am a little puzzled by the thrust of the hearing in a sense. As I understand it, the Government is supposed to take over payment of the costs of maintaining all of the Kennedy Center with the exception of the theaters. Is that it? Is my understanding correct?

Mr. STEVENS. Yes.

Mrs. HANSEN. The maintenance.

Mr. STEVENS. The maintenance of a memorial. It has been very carefully gone into by a public accountant and the Office of Management and Budget went over all the figures and the results.

Mr. YATES. Is the answer to my question yes? What is proposed for the Government to take over? Is it that portion of the Kennedy Center outside of the theaters?

Mr. STEVENS. That is right, sir.

Mr. YATES. What happens to the theaters?

Mr. STEVENS. In other words, it's estimated, Mr. Yates, that 20 percent of the costs of maintaining this memorial is attributable to the theaters, which is what we would be paying. The Center would be paying 20 percent.

Mr. YATES. In the nature of a rental? You pay 20 percent of the total costs of maintaining the entire operation?

Mr. STEVENS. That is right.

Mr. YATES. The entire complex? The theaters pay 20 percent?

Mr. STEVENS. That is right. That is the figure that was approved by the Office of Management and Budget.

Mr. YATES. What would the 20 percent amount to?

Mr. STEVENS. I don't know what the Park Service is going to request, but in our budget, our share of the operating costs would be \$500,000.

Mr. YATES. \$500,000 in the nature of a rental for the three theaters, is that correct?

Mr. STEVENS. It's a pro rata share. Whatever it cost the Park Service, we would put up our share—20 percent has been estimated as the amount.

ALLOCATION OF MAINTENANCE COSTS

Mr. YATES. How did you arrive at 20 percent?

Mr. STEVENS. That was arrived at by examining the size of the building, its facilities, and the fact that the building is open to tourists from 9 o'clock until 12 o'clock. The center should be compared with a private theater, which you open a half-hour before performances and close it a half-hour afterward.

Mr. YATES. It doesn't relate to the square footage?

Mr. STEVENS. Yes, and the cubic footage.

Mr. YATES. Is it based purely on footage?

Mr. STEVENS. Maybe it would be simpler if I read it:

To allocate a reasonable share of the total costs of the total costs of operating the Center between performing arts and nonperforming arts functions, the following assumptions, which are deemed reasonable, were adopted:

- (1) The Center has been open generally 7 days a week, including holidays.
- (2) During the course of a year, the auditoriums are dark on the average of 2 days per week.

(3) Ten hours during each 15-hour day have been devoted primarily to nonperforming arts activities, and the remainder primarily to the performing arts function of the Kennedy Center.

(4) Routine security should be allocated in total to the Kennedy Center's nonperforming arts function. Security generally required in the theatrical business for performances is generally performed by ushers, for which the trustees make payment from performing arts funds. Security costs incurred for the Kennedy Center result principally because of its nonperforming arts function.

These assumptions are based both on estimates made at the beginning of the fiscal year and also on the experience of the Trustees during the current fiscal year. The application of these assumptions to allocate the total cost of \$1,878,182, between performing arts and nonperforming arts functions of the Kennedy Center is more fully set forth in appendix C to the Budget Justification. The result of the allocation is that \$1,510,789 is allocated to the nonperforming arts function, for which an appropriation is requested for fiscal year 1972. The trustees will meet all obligations incurred in excess of the requested \$1,500,000 from its private trust funds.

Then we have a breakdown here.

Mr. YATES. That is the basis for the 20 percent?

Mr. STEVENS. That is right, sir.

Mr. YATES. Will visitors to the Center be allowed to see the theaters during the times when no performance is going on?

Mr. STEVENS. That is right, sir, as they do now. They are being taken through now.

Mr. YATES. The fact that you are paying for the use of the theaters will not prevent visitors from coming in?

Mr. STEVENS. That is right. It will obviously not be permitted during performances but will be permitted during some rehearsals. Some artistic people don't mind if visitors come in during rehearsals. Others do. Generally speaking, starting at 10 o'clock in the morning, visitors are taken through the theaters and all over the building.

Mr. YATES. Can you divorce yourself from the role of entrepreneur and say as a taxpayer you are getting a fair deal with the 20-percent allocation?

Mr. STEVENS. I would think it's a fair deal. We looked at it in this way. I have operated a number of theaters, Mr. Yates. The National Theater actually happened to be one of our group at one time. Half an hour before curtain time you turn on the heat or the air-conditioner, whichever it might be, and the ushers come in. You are open for 2½ hours. Then afterwards you close it down. Actually, you don't even have a doorman at any time. You have a doorman during the day. In fact, one of the big criticisms of the theater as a real estate investment is that it's only used 24 hours a week.

Mr. YATES. So the 20-percent payment in your judgment was a fair payment for the taxpayers?

Mr. STEVENS. Especially concerning all the extra space we have.

LIQUIDATION OF CONSTRUCTION DEBTS

Mrs. HANSEN. What plans do you have for raising the funds to liquidate outstanding construction debts?

Mr. STEVENS. It's the toughest kind of money to raise. At the moment the only way we can raise it is as we have in the past. The trustees have raised considerable money. We have an advisory committee that is appointed by the President. It's composed of over 100 people. One of their duties is to raise money.

That is where we are now. How long we can hold the creditors at bay I do not know. We have used up all the available Government funds.

CONCESSION ARRANGEMENTS

Mrs. HANSEN. Describe for the committee the various concession arrangements you have at the Center. It would be well if you would name the companies and define the amount of payment to the concessionaire in each instance.

Mr. STEVENS. The Kennedy Center has entered into two concession agreements—for the operation of the parking garage and of the three restaurants.

After competitive bidding, the Kennedy Center entered into a concession agreement with APCOA—Washington, Inc., on February 21, 1969, under which APCOA is to provide management services for an initial term of 15 years, with an option in APCOA to renew for 10 years. APCOA's bid was the best of several bids.

Mrs. HANSEN. Review for us what these are.

Mr. STEVENS. APCOA is required to properly manage the garage and provide all necessary equipment at a cost of approximately \$130,000 to be borne by the concessionaire. An advance against revenues of up to \$3,500,000 from APCOA to the Center is provided. By the end of fiscal year 1971, the Kennedy Center had completely drawn against the advance. The Kennedy Center is required to repay the advance out of parking revenues with interest.

Of course, I view the Government's priority is ahead of this priority.

Mrs. HANSEN. Your garage operated at a net loss through August 1971. How is it currently doing?

Mr. STEVENS. It's doing quite well. It's running at about \$1 million free and clear per year.

Mrs. HANSEN. What about your restaurants?

Mr. STEVENS. The restaurant concession is with the Canteen Corp. The concession was granted to the Canteen after consideration of competitive bids from other concerns. Their proposal has been far the most favorable to the Center. Their agreement required the Canteen to invest \$1¼ million in the construction of the building and provides that the Center is to receive 5 percent of sales.

Mrs. HANSEN. In other words, that was the construction that was due for that portion devoted to restaurants?

Mr. STEVENS. Yes. There are fixtures and all the stuff that it takes to make it possible to do business. We receive 5 percent of the net sales or a minimum of \$75,000. The term of the agreement is 16 years. They are apparently going to do between \$2½ million and \$3 million a year.

Mr. McDADE. In profit?

Mr. STEVENS. Gross business. We get 5 percent of it.

Mr. McDADE. What will their profit be?

Mr. STEVENS. It all depends on the food and liquor business.

BENEFITS TO CONCESSIONAIRES

Mr. McDADE. When we talk about the concessionaire, principally the garage and the restaurants, and we decide to appropriate public money to keep the building open to serve that necessary purpose of

permitting the tourists to go through and the rest of it, aren't we conferring another benefit on the concessionaires by maintaining a stream of potential customers, either for parking or for restaurant usage? If the answer to that is "Yes," and I assume it is, are they paying for that benefit?

Mr. STEVENS. You mean the constant stream of visitors to the memorial?

Mr. McDADE. Yes.

Mr. STEVENS. I would say it helps. The principal use of the parking, of course, is for the theaters and the people going to the memorial. We require Canteen to have the cafeteria so we can have prices low enough so the average person can afford to eat there because the luxury restaurant, like all luxury restaurants, is quite expensive. I would say, the cafeteria benefits quite a lot from the stream of memorial visitors.

Mr. McDADE. Do we get a quid pro quo based on this constant stream of visitors that requires us to appropriate public money to treat this not just as a theater but as, in fact, a memorial? Do we get a quid pro quo?

Mr. STEVENS. The answer is "No," Mr. McDADE. It would be possible in the case of the restaurant that, as I say, especially in the cafeteria which isn't the principal component of the restaurant operation, to figure out the amount of percentage that accrues to the Center.

Mrs. HANSEN. Has the Office of Management and Budget analyzed in relation to this same quid pro quo in Yosemite or Glacier National Parks or any of the other facilities which, via the upkeep of our roads and maintenance, do furnish them with a steady stream of customers? Have they analyzed the comparison of what is done there and at the Center?

Mr. STEVENS. No, Mrs. Hansen.

Mr. McDADE. You do get a percentage of the gross of the cafeteria?

Mr. STEVENS. That is right.

Mr. McDADE. So the more people that are put through who utilize it, the more profitable it becomes and they do get a quid pro quo?

Mr. STEVENS. Yes.

Mr. McDADE. They go beyond the minimum, don't they?

Mr. STEVENS. That is right.

Mrs. HANSEN. Congress, as we have discussed, authorized total lending authority of \$20.4 million for construction of the garage. Has all this work been completed?

Mrs. STEVENS. Yes, Madam Chairman.

Mrs. HANSEN. Is any of this money involved in a disputed claim?

Mr. STEVENS. It's all together.

Mrs. HANSEN. How many spaces does the garage provide?

Mr. STEVENS. Approximately 1,500 spaces.

Mrs. HANSEN. Will you identify APCOA?

Mr. STEVENS. It's a wholly owned subsidiary of a better known organization, I.T. & T. Canteen, also is part of I.T. & T., although it was not when the concession was awarded in 1965.

That is a subsidiary of I.T. & T., but it either has been or is about to be spun off under the well-publicized settlement.

INCOME DERIVED FROM GARAGE

Mrs. HANSEN. What are the specific terms of your agreement with regard to income derived from parking fees in the garage?

Mr. STEVENS. The advance of \$3.5 million. Until full repayment of the advance, plus interest at the prime rate, net profits are divided evenly. Net profits are defined as the amount remaining after the deduction from total revenues of the following: Operating expenses, one-fifteenth of the advance plus interest, management fees, and other expenses. After repayment, the center's share of the first \$1.5 million of parking revenues is 70 percent of net profits; 80 percent of the excess over \$1.5 million.

Mrs. HANSEN. You have secured an advance from APCOA?

Mr. STEVENS. That is right, as I stated above, of \$3½ million.

Mrs. HANSEN. What is the current parking rate schedule?

Mr. STEVENS. \$2.

Mrs. HANSEN. For what period of time?

Mr. STEVENS. For an evening.

Mr. CLAWSON. Do you have afternoon rates?

Mr. STEVENS. It is on an hourly rate during the day.

Mrs. HANSEN. What is that hourly rate?

Mr. SPAULDING. It's maximum \$1.50 during the day—65 cents for the first hour; 35 cents for each additional hour during the day and \$2 is charged to theatergoers at night.

Mr. STEVENS. It's quite a lot cheaper than the average garage in the city. It's much cheaper.

Mrs. HANSEN. Who are the principal users of your daytime parking?

Mr. STEVENS. We have the State Department employees in there for a third of the space on a monthly basis, and we have the tourists who visit the center.

LOAN REPAYMENT SCHEDULE

Mrs. HANSEN. Describe the repayment schedule of funds loaned for the construction of the garage you will be able to accomplish under the existing arrangements for parking at the center.

Mr. STEVENS. You mean what does the bill call for?

Mrs. HANSEN. Yes. How much do you propose to retire per year?

Mr. STEVENS. It's based on a fixed amortization, as I recall, of 40 years; isn't it?

Mr. BECKER. 50 years.

Mr. STEVENS. Whatever it takes to amortize a loan for 50 years.

FINANCIAL REPORT

Mrs. HANSEN. The committee has your financial report as of June 30, 1971. Has one of a later date been issued? If so, will you please insert a copy in the record.

Mr. STEVENS. All right. This is the December 31, 1971, report.
(The information follows:)

FINANCIAL STATEMENTS, JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS,
DECEMBER 31, 1971

NEW YORK, N.Y., June 23, 1972.

THE TRUSTEES,

John F. Kennedy Center for the Performing Arts:

The accompanying financial statements have been prepared without audit from the financial records of John F. Kennedy Center for the Performing Arts for the 6 months ended December 31, 1971. Since we did not apply the generally accepted auditing procedures necessary for an expression of opinion, these statements are accordingly submitted without such opinion.

These statements do not necessarily include all disclosures that might be required for a fair presentation.

LUTZ AND CARR.

JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS—BALANCE SHEET, DEC 31, 1971

[Unaudited]

	Total	General fund	(Note 1) fixed asset fund
ASSETS			
Current assets:			
Cash.....	\$384,249	\$384,249	
Accounts receivable:			
Outside attractions.....	186,208	186,208	
National Endowment for the Arts.....	42,155	42,155	
APCOA Washington, Inc.....	108,031	108,031	
Other.....	133,839	133,839	
Marketable securities and other investments.....	89,758	89,858	
Total current assets.....	944,240	944,240	
Fixed assets: Land, buildings, improvements and equipment (note 1).....	73,264,020		\$73,264,020
Other assets:			
Pledges receivable (Note 2).....	349,662		349,662
Sets and costumes—"Mass".....	68,074	68,074	
Sundry.....	851	851	
Total other assets.....	418,587	68,925	349,662
Total assets.....	74,626,847	1,013,165	73,613,682
LESS: LIABILITIES			
Current liabilities:			
Accounts payable:			
Construction.....	1,099,093		1,099,093
Trade.....	934,920	934,920	
Outside attractions.....	94,852	94,852	
Unearned box office receipts and theater rentals.....	210,506	210,506	
Payroll and sales taxes payable.....	26,947	26,947	
Total current liabilities.....	2,366,318	1,267,225	1,099,093
Other liabilities:			
Revenue bonds payable (Note 4).....	20,400,000		20,400,000
Deferred interest payable (Note 4).....	3,217,498		3,217,498
Security deposit—APCOA Washington, Inc.....	3,500,000	3,500,000	
Total other liabilities.....	27,117,498	3,500,000	23,617,498
Contingent liabilities (Note 5):			
Total liabilities.....	29,483,816	4,767,225	24,716,591
Fund balance or (deficit).....	45,143,031	(3,754,060)	48,897,091

JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS

STATEMENT OF CHANGES IN FUND BALANCE, 6 MONTHS ENDED DEC. 31, 1971—(UNAUDITED)

Balance, July 1, 1971.....	\$23,370,325
Add—	
Assets constructed with public funds not previously recorded.....	22,997,790
Reversal of depreciation previously charged. Assets are segregated into a separate fixed-asset fund and depreciation will no longer be charged as a period expense.....	15,527
Total.....	23,013,317
Adjusted balance, July 1, 1971.....	46,383,642
Less excess of expenses over income—6 months ended Dec. 31, 1971.....	1,240,611
Balance, Dec. 31, 1971.....	45,143,031

JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS

STATEMENT OF INCOME AND EXPENSES, 6 MONTHS ENDED DEC. 31, 1971 (UNAUDITED)

	Gross receipts	Attraction share	Net
INCOME			
Box office receipts:			
Eisenhower Theatre.....	\$526,783	\$196,216	\$330,567
Opera House.....	1,156,521	315,130	841,391
Concert Hall.....	412,238	106,738	305,500
Total.....	2,095,542	618,084	1,477,458
Theatre rental:			
Eisenhower Theatre.....			6,000
Opera House.....			77,000
Concert Hall.....			113,667
Total.....			196,667
Contributions.....			933,728
National Endowment for the Arts—grant re American Ballet Theatre.....			83,640
Share of parking income.....			108,031
Rent—restaurants.....			50,823
Investment and sundry income.....			8,058
Total income.....			2,858,405
Expenses:			
Direct theater charges.....			1,810,531
Less: Billed to attractions.....			228,927
Subtotal.....			1,581,604
Building operations.....			776,884
Theater operations.....			708,496
Administration.....			405,160
Interest on revenue bonds.....			391,542
Educational fund grants.....			127,223
Writeoff of Creative America inventory.....			56,410
Lease payments: (Note 3)			
U.S. Leasing Corp.....			27,929
Burlington Acceptance Co.....			12,534
Sundry.....			11,234
Total expenses.....			4,099,016
Excess of expenses over income.....			1,240,611

¹ Fixed asset fund: The "John F. Kennedy Center Act," as amended, established the John F. Kennedy Center for the Performing Arts as a bureau within the Smithsonian Institution to be directed by a Board of Trustees. The act provides that the Board shall construct, maintain, and administer the Center for the Smithsonian Institution with funds raised by voluntary contributions. In addition, sec. 8 of the act authorized a congressional appropriation of matching funds of up to \$23,000,000 for use in accordance with the act and sec. 9 authorizes the Board to issue revenue bonds to the Secretary of the Treasury of not more than \$20,400,000 to finance necessary parking facilities for the Center. The assets and corresponding liabilities resulting therefrom have been reflected on these financial statements since the act vests responsibility for these assets in the Board of Trustees.

² Pledges receivable: As a condition of the sale of \$486,000 of pledges receivable in October 1971 to American Security & Trust Co., the John F. Kennedy Center for the Performing Arts was required to assign additional pledges receivable amounting to \$118,786. Upon receipt of \$486,000 by American Security & Trust Co., these additional pledges, assigned will be returned.

³ Lease commitments: The Center is liable under the following leases: (a) U.S. Leasing Corp.—agreement dated Dec. 2, 1971, for 12 quarterly payments of \$35,908 each, followed by 3 annual payments of \$19,949 each; and (b) Burlington Acceptance Corp.—agreement dated Oct. 15, 1971, for 36 monthly payments of \$6,267 each.

JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS—NOTES TO FINANCIAL STATEMENTS—DEC. 31, 1971
[Unaudited]

Note 4.—Revenue bonds payable: The \$20,400,000 of revenue bonds referred to in note 1 are payable as follows:

Due date	Interest rate (percent)	Face
Dec. 31, 2017.....	5½	\$ 3,800,000
Do.....	5½	2,900,000
Do.....	5½	1,200,000
Dec. 31, 2018.....	5½	2,200,000
Do.....	5½	4,300,000
Do.....	6	1,000,000
Do.....	6½	1,300,000
Do.....	6½	1,900,000
Do.....	6½	800,000
Dec. 31, 2019.....	6½	1,000,000
Total.....		20,400,000

Interest payments have been deferred until Dec. 31, 1978. All interest payments deferred shall bear interest after June 30, 1972.

Note 5.—Contingent liabilities: Various claims connected with construction delays have been brought against the John F. Kennedy Center for the Performing Arts. Management is aware of \$3,200,000 of such claims as of Dec. 31, 1971. It is the opinion of counsel that these claims will be settled for a lesser amount.

JFK CENTER DEFICIT

Mrs. HANSEN. The Senate has included \$1,500,000 in the 1973 appropriation bill for payment of debts you incurred in fiscal year 1972. Give us the complete details on this deficit, including a list of the creditors involved, the amount due in each instance and, more especially, how and why this deficit was incurred.

Mr. STEVENS. The deficit was incurred in making the building available to 8,000 to 10,000 people per day, one of the memorial functions of the building, as I stated before.

We have as a principal creditor the light company. The chairman of the light company wasn't able to understand how we managed to acquire such a bill. In addition, the cleaning of the building is one of our essential operating expenses and the Park Service for police. We also owe money for maintenance.

We have other bills which we owe. The \$1½ million will clean up all our bills. For example, we have had to meet the payroll for maintenance in cash. So we have accrued other bills as a result of that.

Mrs. HANSEN. Will you supply the committee with a list of those bills so we can have the precise amounts?

Mr. STEVENS. Yes; we have the exact amounts.

Mr. SPAULDING. Madam Chairman, we have a rough list that I could make available to you which does not show a complete record as we have not gotten our full billings for fiscal year 1972 as of June 30. We anticipate this information should be available as we complete our annual audit statement. At that time we can provide the committee with a complete list.

(The information follows:)

JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS
NONPERFORMING ARTS OBLIGATIONS INCURRED FISCAL YEAR 1972

	Invoices paid	Invoices on hand
Security: National Park Service.....		\$232,985.04
Utilities: Potomac Electric Power Co.....	\$222,862.41	349,323.77
Janitorial Services: ITT Service Industries, Corp.....	6,829.75	271,302.17
Operation and maintenance:		
Staff salaries.....	297,584.04	
Taxes and benefits.....	28,026.42	
Supplies, equipment, and services for the above items:		
W. T. Weaver Shop Equipment.....	9,309.10	
Baldwin Trash.....	4,932.50	1,120.00
Various small purchases.....	5,265.81	
Unpaid invoices list attached.....		101,805.35
Total.....	574,810.03	956,536.33
Invoices paid.....		574,810.03
Invoices on hand.....		956,536.33
Procurement by purchase order through construction contractor.....		180,336.00
Estimated amount for invoices not yet received including May and June invoices for guard services from National Park Service.....		166,499.64
Total.....		1,878,182.00
Supplies, equipment, and service invoices on hand:		
Brock Tool, Inc.....		5,906.13
Cambridge Filter Corp.....		13,767.52
Capital Lighting & Supply, Inc.....		9,037.77
Crown Supply, Inc.....		6,374.75
Dominion Electric Supply Co.....		3,393.56
W. T. Galliher & Bros.....		3,615.01
General Electric Co.....		2,285.78
General Electronics, Inc.....		2,020.10
Hardware Center, Inc.....		1,002.88
Kliegl Bros.....		6,484.65
National Laundry & Linen Service.....		1,026.12
Otis Elevator Co.....		2,394.94
Thomas Somerville.....		3,315.59
Southeastern Floor Co., Inc.....		1,094.23
Don Steele.....		1,114.00
Sylvania G. T. E.....		10,418.61
Tart Lumber & Hardware Co.....		5,457.52
Vogel Peterson Co.....		3,537.30
W. T. Weaver & Sons.....		2,645.16
Subtotal.....		84,891.62
Invoices for small amounts (all less than \$1,000).....		16,913.73
Total.....		101,805.35

Mrs. HANSEN. What proportion of the \$1.5 million is for utilities? You must have had something to guide you in asking for the \$1.5 million rather than \$1.4 million.

Mr. STEVENS. Yes. The utilities run \$609,000 a year. This is the allocations between the performing arts and the nonperforming arts which we have submitted to you already as part of our exhibit.

Mrs. HANSEN. How do you differentiate between production costs and operation and maintenance costs?

Mr. STEVENS. By production costs, I assume you mean production of artistic functions.

Mrs. HANSEN. That is correct.

Mr. STEVENS. In the first place, we frequently lease the space to other people. The rentals are determined on a standard rental basis for performing arts groups, as is customary in the trade.

Occasionally we get private underwritings for productions that we undertake.

STAGEHAND CONTRACT

Mrs. HANSEN. You received a lot of publicity from the local papers with regard to the contract you had with the stagehands. Are there any other contracts in existence that should be negotiated or will be negotiated downward as was done in the case of the stagehands?

Mr. STEVENS. No, there aren't, Madam Chairman. With respect to the stagehand contract, which received some publicity as you have mentioned, the costs really had to do with what they call work rules rather than with the hourly wage. The work rules were what were changed. We did not reduce the hourly rate.

Mrs. HANSEN. Wasn't part of your problem the fact that you were using three theaters with no interchange of stagehands?

Mr. STEVENS. That is right. The stagehands were running from one theater to another. We got it straightened out. The real problem was in the concert hall where there would be different tenants every night. Somebody would come in for rehearsal and they would have a 2-hour rehearsal and the stagehands would put that on as their first call. Then somebody else would come in.

From a practical point of view, the Center passed all those costs on. The reason for the publicity is very understandable. Some of our tenants objected strenuously. That is what resulted in the publicity. It has been straightened out and now we have work rules that do not unnecessarily burden our tenants.

Mrs. HANSEN. What comprises the governing body of the Center with authority to make hard decisions on its operations as far as finances are concerned?

Mr. STEVENS. We have a Finance Committee. We have a Board of Trustees of 45 and an Executive Committee of approximately 18. We submit a budget to the Board for approval. We just made up a new budget for fiscal 1973 based on our planned operations.

NONNEGOTIABLE PROMISSORY NOTES

Mrs. HANSEN. According to an article inserted in the Congressional Record on June 30, 1972, you have been issuing nonnegotiable promissory notes in the name of the JFK Center to satisfy the creditors temporarily. Give us the details on this.

Mr. STEVENS. Maybe Mr. Becker can answer that.

Mr. BECKER. Madam Chairman, to respond both to the question you have raised as well as in part to the prior question you raised, the John F. Kennedy Center Act establishes a Board of Trustees. The act is relatively unique in Federal Government. It's comparable to the act which established the Board of Trustees of the National Gallery of Art. Under the act, section 5(a) gives to the Board of Trustees the authority to administer its trust funds. In addition, section 5(c) establishes that the actions of the Board of Trustees are not subject to review by any officer or agency other than a court of law.

At first blush, it would appear that the power of the Board of Trustees is beyond anyone's control. But in fact such is not the case, for section 6(b) establishes that the Board shall have all of the usual powers and obligations of a trustee in respect of all trust funds administered by it.

The Board of Trustees at the present time, as Mr. Stevens has previously indicated, is faced with a substantial number of outstanding obligations with respect to the construction of the Kennedy Center.

Looking at section 6(b) of the Kennedy Center Act, the Board of Trustees has the power to take such actions as would be prudent under trust law to administer the John F. Kennedy Center.

Faced with a situation where there are outstanding obligations, the Board of Trustees must make provisions to meet those obligations. In order to do so in this particular instance, the Board of Trustees have issued—in, I believe, a very few cases to date, although negotiations are underway with respect to other creditors—a few nonnegotiable promissory notes. The notes, in effect, defer the requirement to make immediate payment on outstanding construction obligations.

Mrs. HANSEN. What interest do they bear?

Mr. BECKER. The interest that was established and that is being uniformly given is 6 percent. The creditors generally felt that they would like to see more interest. The Board of Trustees felt that they did have to make some provision for interest in light of the fact that the outstanding obligations would continue to be unpaid for some period of time.

Mrs. HANSEN. What is the term of the notes?

Mr. BECKER. The terms of the notes have been 1 year from the date of issue.

Mr. YATES. Are your securities guaranteed by the Federal Government?

Mr. STEVENS. No, sir.

Mr. YATES. I notice a list of them in the justifications.

Mr. STEVENS. I might add on the notes, Madam Chairman, that from a company's point of view, until GSA has approved any claim or contract amount outstanding, we haven't issued any notes. We haven't actually issued many.

We haven't been passing them out yet until we are sure we have some legal opinions. It is much better for a company to have on its books, even if it's nonnegotiable, a note instead of just a claim. Particularly some of the smaller companies find if they have a note, it improves their financial statements. That is one of the reasons they have been willing to take them, because, as Mr. Becker says, it defers the immediacy of an obligation.

PERFORMING ARTS REVENUES

Mrs. HANSEN. Are the revenues generated by the performing arts activities of the Center sufficient to meet the expense of these activities?

Mr. STEVENS. Yes, Madam Chairman. We have had our budget approved. Would you want it on the record?

Mrs. HANSEN. Please.

Mr. STEVENS. We estimate a gross operating income of \$1,943,000 for next year from the theaters. We estimate \$1,500,000 in expenses.

FUNDING SOURCE FOR PURCHASE OF EQUIPMENT

Mrs. HANSEN. What do you anticipate as a source of funding for the purchase, repair, or replacement of equipment at the Center?

Mr. STEVENS. We have in our budget a normal repair and contingency fund.

Mrs. HANSEN. That is for the performing arts functions?

Mr. STEVENS. That is right.

Mrs. HANSEN. What about those items which are literally a joint enterprise, so to speak, between your visiting public who are not theatergoers and individuals who are attending the theaters. For example, rugs?

Mr. STEVENS. I would say that whatever the Park Service has to spend for maintenance we are liable for 20 percent of it, if that percentage is agreed upon formally, which I think will be the case. Obviously the carpets will wear out ahead of anything else. In 3 or 4 years they will have to be replacing or buying new carpets and we will be assessed for 20 percent of it.

Mr. CLAWSON. Is that report available?

Mr. STEVENS. Yes.

REPORT ON ALLOCATION OF MAINTENANCE COSTS

Mr. CLAWSON. I am wondering in the report how he arrived at the 20-percent allocation. Will that be made a part of the record?

Mr. STEVENS. We will make it available for the record, yes. I think we made it available in other hearings. We will see that it's made available for this hearing.

Mr. CLAWSON. If it's in another hearing, it doesn't need to be in this one.

Mrs. HANSEN. The information will be inserted in the record.

Mr. STEVENS. We will have it over to you right away.

(The information follows:)

WASHINGTON, D.C., July 26, 1971.

Mr. ROGER L. STEVENS,
Chairman, John F. Kennedy Center for the Performing Arts,
Washington, D.C.

DEAR MR. STEVENS: Pursuant to the instructions from the general counsel, we were to develop an equitable method of allocating the maintenance cost between the memorial and performing arts functions of the John F. Kennedy Center for the Performing Arts.

The maintenance and operating expenses for the Center service two areas: (1) that portion used in connection with the performing arts, and (2) that portion of the Center which serves as a memorial to the late President John F. Kennedy.

Generally accepted cost accounting principles allows the use of any of several methods providing, of course, that the method adopted produces an equitable result. An example of these methods follows:

1. Square feet—cost allocated on square feet used by each function.
2. Hours—cost allocated on hours used by each function.
3. Cubic feet—cost allocated on cubic feet used by each function.
4. Population—cost is allocated on the number of persons who enter the Center.

5. Population hours—cost is allocated to the various functions based on the length of time the person is in the Center.

From the information available at this time, we feel that the most appropriate method for allocating costs would be on the hours used by the various functions of the Center for the following reasons:

1. It is a simple method which requires no additional recordkeeping.
2. It is the one method which can fairly accurately be determined at this time. (We are unable to estimate the number of visitors to the Center.)
3. It eliminates the need of conducting studies to determine the square feet used by each function (e.g., visitors to the Memorial wish to see the opera house;

therefore, the opera house costs must be reallocated to the performing arts and the memorial).

In utilizing the following key facts, we estimate that 80 of the 105 hours the Center is open, or 76.2 percent of the joint costs should be allocated to the Memorial portion of the center.

1. The theaters are closed on the average of 2 days per week.
2. The Center is open 15 hours per day.
3. The theaters are used on the average of 5 hours per day for production and rehearsal.

These assumptions result in the Center being open a total of 105 hours per week (15 hours per day times 7 days), of which 25 hours (5 days times 5 hours) is allocated to the performing art function.

Since estimated usable hours are based on assumptions and estimates relating to events that have not yet taken place, they are subject to the variation that may arise as future operations actually occur. Accordingly, we cannot and do not express an opinion on the forecasts presented in this report.

Very truly yours,

ELMER FOX & Co.

ESTIMATED INCOME

Mr. McDade. Did you indicate an estimated income next year of \$1,900,000?

Mr. Stevens. Yes, sir. Actually, a part of that which was revenue from the theaters will be \$1,650,000.

Mr. McDade. I am looking at the statement which we have which lists the 6 months ending December 31. "Income and expenses unaudited," shows total income of 6 months to December 1971 of \$2.8 million. What is that?

Mr. Stevens. Those are gross box office receipts combined. This \$1.65 million figure is what the income will be from rents, or net.

Mr. McDade. That is a net figure, not a gross figure?

Mr. Stevens. That is right.

Mr. Clawson. Is that 20 percent also applicable to the utility costs? You made a point that this is an all-electric building.

Mr. Stevens. Yes; it is applicable to the utility costs.

Mr. Clawson. It seems to me that the 20-percent figure for the performing arts and nonperforming arts would be higher in the evening than it would be the rest of the day.

Mr. Stevens. Unfortunately, the air conditioning and the heating is the principal cost. That goes on all day long and all night long.

Mr. Clawson. You never turn it off?

Mr. Stevens. No. You can't afford to ever turn it off. It's cheaper to let it continue. Where you have separate theaters, you have a different kind of system where you can do that.

VISITATIONS TO THE CENTER

Mrs. Hansen. Do you have a reasonably accurate count of visitations to the Center other than for the performing arts since it opened?

Mr. Stevens. There have been sort of spot checks for 2 or 3 hours.

Mrs. Hansen. What I mean is do you have something that you can insert in the record?

Mr. Stevens. Yes. May I get those facts for you?

Mrs. Hansen. Yes.

(The information follows:)

TOURISTS

The peak of daily visitors was reached on November 26, 1971, when we averaged almost 3,300 people per hour from 10 a.m. to 6 p.m.

The counts that have been taken periodically since our opening in the fall of 1971 show that we average 900 to 1,400 people per hour between 10 a.m. and 6 p.m.

The counts were taken by Kennedy Center employees.

VANDALISM AT THE CENTER

Mrs. HANSEN. There has been considerable publicity about vandalism at the Center. Do you have any reasonably accurate figures on what your expense has been in this connection?

Mr. STEVENS. No, I don't, Madam Chairman. I think the vandalism, to be very frank about it, has been overstated in the press. There were certain fixtures that were mutilated and certain faucets, for example, where the people take the tops off them. It isn't a very substantial amount of money.

It's just like anything that is a public property. People like to take something back with them. Since we have started selling souvenirs, it is less.

Mr. HANSEN. What type of souvenirs do you sell?

Mr. STEVENS. There is a bust of the President, of Eisenhower, and of all the other Presidents who have been connected with the Center. We sell articles relating to the performing arts. Most of it has been just little mementoes that have either a picture of the Center or a copy of the Presidents' heads.

RESPONSIBILITY OF PARK SERVICE

Mrs. HANSEN. You have probably noticed we have not questioned you at any length on the arrangement whereby the National Park Service is responsible for maintenance of the Center beginning July 1, 1972. It is presumed we will receive a supplemental budget request in that connection and we will go into the details of that arrangement at that time. However, I think it would be well for you today to give the committee an overall summary of just how you envision this arrangement will operate.

Mr. STEVENS. Public Law 94-313, approved on June 16, 1971, authorized the Park Service to assume responsibility for the maintenance, security, information, interpretation, janitorial and all other services necessary to carry out the nonperforming arts functions at the Kennedy Center.

Mrs. HANSEN. By interpretation, do you mean this is the usual type of explanation of the Center? This is not the interpretation of your performing arts?

Mr. STEVENS. No, Madam Chairman. As a matter of fact, I was assured that this was a standard clause in all the Park Service agreements. The National Park Service is well experienced in providing visitor services at national parks throughout the country and particularly at the memorials here in Washington, which were financed through your committee, Madam Chairman.

Through the past years, the Friends of the Kennedy Center provided guide service, special education programs and also souvenir

sales. It is expected the Park Service will utilize the resources and experience of the Friends in carrying out these functions.

I might say that the value of the Friends' services are worth at least a quarter of a million a year, we have estimated, in donated time. If we had to pay for the service that the Friends offer, the cost would be at least a quarter of a million a year for hiring people. We get a great deal of help from volunteer services.

PARTICIPATION OF AMERICAN FILM INSTITUTE

In addition, if the American Film Institute raises sufficient funds, we will have a film orientation program which will be provided for the public.

Mrs. HANSEN. What rent does the American Film Institute pay the Center?

Mr. STEVENS. At the moment, they have had some office space for which they are paying a standard rent of \$5 per square foot. They are putting in improvements. We have been planning a Little Theater in the back of the Eisenhower Theater for 200 seats and for indoctrination purposes because we haven't finished the theater above the Eisenhower Theater.

It's another one of our problems. The American Film Institute is hoping to get some grants to finance the theater. We don't want to finance it at the Kennedy Center because of the priority of obligations to construction creditors.

Mrs. HANSEN. From what source do they expect to receive the grant?

Mr. STEVENS. I think they will get it from some private sources. They would pay some rent. If they advance money for building the theater, the advance would be applied against their rent. Just the other day the Executive Committee authorized the space to be used for this little temporary film studio.

INVOLVEMENT OF THE FEDERAL GOVERNMENT IN THE JFK CENTER

Mrs. HANSEN. We have a rather complex situation. We have what in essence is a quasi-private activity. The Federal Government exerts no direct control over your operations, nor should they in your performing arts functions. Yet, when you encounter financial difficulty there are many individuals who fully expect the Federal Government to subsidize the project.

Do you have any suggestions on how there might be a reconciliation of this situation on a long-term basis?

Mr. STEVENS. Madam Chairman, on a long-term basis, I have, as I have been constantly reminded, said in the past that the performing arts functions could handle themselves. In other words, there should be sufficient revenue from the theaters to pay for the performing arts functions of the building.

Mr. Becker reminded me that there is a substantial Government involvement. It should be made a record that there are 15 ex officio members and there are three of your Congressmen and three from the Senate as well as 12 others, starting with the Secretary of Health, Education, and Welfare, who are involved in the management of the Center.

So there is a substantial Government involvement in the Board of Trustees. A third of the trustees are members of the Government.

Mrs. HANSEN. That is by law?

Mr. STEVENS. That is by law; yes. So there is a substantial number. They are all knowledgeable people. Ex officio members include people knowledgeable in the arts, such as the Secretary of the Smithsonian, the Chairman of the Commission of Fine Arts, the Director of the Park Service, the Librarian of Congress, and the Assistant Secretary of State for Arts and Education.

Mrs. HANSEN. What does he do for you?

Mr. STEVENS. He comes to meetings, which I wish all trustees did. He is a very good man.

Mrs. HANSEN. I notice on your balance sheet for December 31, 1971, you have listed as an accounts receivable \$42,155 from the National Endowment for the Arts.

Mr. STEVENS. Yes. It is a receivable. The National Endowment had an extensive ballet financing arrangement in which they insisted that the ballet be presented by each city, which I resisted. I am resisting it more strongly this year. I did it the first year because they said that the American Ballet Co., would lose all their grants if we didn't do it. I don't think it's a part of our game. I think Miss Hanks is going to change it this year so that we won't be involved. The money will be given directly to the American Ballet Co., which will be much more satisfactory. The amount due the center under last year's arrangement happened to be a receivable at the year end.

Mrs. HANSEN. Thank you very much, Mr. Stevens. We appreciate your frankness and the details that you have given us today. The committee certainly wishes the Kennedy Center well in its operation. It is a very fitting tribute to a late President of the United States. The success of it is a continuing tribute.

Mr. Galifianakis?

STATE PARTICIPATION

Mr. GALIFIANAKIS. I wanted to ask one question. Suppose my State were particularly interested in having North Carolina day at the Center. Is there a procedure for accomplishing something like that?

Mr. STEVENS. Yes; there is. One of our plans in progress is to have a State day for every State in the Union—maybe one every third year or so. If anyone wants to get in touch with me, I would be glad to talk to them about it.

Mr. GALIFIANAKIS. Would that include also highlighting performances from North Carolinians as well as making exhibitions?

Mr. STEVENS. Yes. We would sit down and arrange a day where they would send some of their performing groups. The whole problem is that the States want to send performing groups but they expect us to finance it. We can't do that. We can't help the States out financially.

Mr. GALIFIANAKIS. The availability of facilities and maybe accommodations for eating there or something like that is what they would be concerned about.

Mr. STEVENS. We would be very glad to do that. We are going to make this a future practice.

Mr. GALIFIANAKIS. Will you also make it available to special groups that want to do it?

Mr. STEVENS. We make the Center available to special groups provided they are going to attend the performing arts attractions. We can't overload the garage. For example, we don't permit people to use the restaurants as groups unless they are buying tickets to the theaters.

Mrs. HANSEN. Mr. McDade?

LEASING COMMITMENTS

Mr. McDADE. Thanks, Madam Chairman. Mr. Stevens, on the notes to the financial statement on page 1 thereof, note 3 lists the leased commitments. What is the commitment to U.S. Leasing Corp.? Would you explain that, please?

Mr. STEVENS. Yes. As we were getting down toward the tail end of construction we had to have seats if we were going to operate. We didn't have any funds to buy them, so we made a commitment on a lease purchase basis for the carpet and the seats, for which we are paying for over a period of time.

Mr. McDADE. What about the Burlington Co.?

Mr. STEVENS. That is the carpet.

Mr. McDADE. These are in the nature of installment contracts?

Mr. STEVENS. That is right, sir, over 3 years.

Mr. McDADE. I thank you. I found your testimony very enlightening. The Center has plenty of problems, like anything else has. In my opinion I think the Center is a great asset to the community. I have been there with my children and we loved every moment of it. Carry on the good work.

Mr. STEVENS. Thank you.

Mr. McDADE. We want to see it successful, as we know you do.

Mr. STEVENS. I can say artistically it has been a success. Leading artists now want to come to the Center. I think our programing for next year is going to be very exciting and very interesting.

Mrs. HANSEN. You have three theaters. Which is the most heavily attended?

Mr. STEVENS. So far the Opera House has been the most heavily attended because we have had productions there that people wanted to see. Our record in terms of occupancy is far ahead of any other theater in the country.

Mrs. HANSEN. To what do you attribute that?

Mr. STEVENS. Very immodestly, to some very good programing. I must say we have done a very good job. Even our worst enemies have to admit that.

Mr. McDADE. Would you make certain the record reflects those comparative costs between the Kennedy Center and the Lincoln Center?

Mr. STEVENS. Yes.

ATTENDANCE AT OTHER THEATERS

Mr. McDADE. Is there any way you can indicate any figures about percentages of attendance in the theaters relative to a new theater that is starting someplace else to make it meaningful for us? Can you supply that for the record?

Mr. STEVENS. Yes. I can do it in a couple of days. In terms of our occupancy as compared to other cities, I can get it for three or four cities and put it together very fast. The Eisenhower Theater up until now has been open 10 months and we have had only 3 dark weeks in it. The Opera House hasn't had a dark week since we opened, which is quite unusual for any theater today. The Concert Hall, of course, has had innumerable concerts, but there are nights when it is dark. I think it averages one performance a day over a period of a year.

(The information follows:)

*Philadelphia Theatre bookings.*¹—1972 season (September 1971–July 1972).

Forest Theatre: 19 weeks, seven engagements.

Locust Theatre: 2 weeks, one engagement.

Shubert Theatre: 19 weeks, five engagements.

(Period covers 46 weeks)

*Boston.*²—(September 1971–July 1972).

Colonial Theatre: 17 weeks, seven engagements.

Wilbur Theatre: 37 weeks, three engagements.³

Shubert Theatre: 8 weeks, four engagements.

Mr. GALIFIANAKIS. Are any of the performances gratuitous?

Mr. STEVENS. No. This fall we are having a music festival because the music critics from all over America are going to be here. There are going to be a number of free concerts during this festival which we think will add quite a lot of glamour to the Center. I am hoping to establish some free organ concert series because we have the beautiful organ given by Mrs. Shouse.

Also, I would like to have some free community songfests established. We have had so many other problems that we haven't gotten to things like that as yet. I expect that we should do it. I am a great believer in choral singing. We ought to have concerts around 5 o'clock which would be free for people on their way home.

Mrs. HANSEN. Mr. Wyatt?

Mr. WYATT. Mr. Stevens, I would join with what Mr. McDade and our chairman have said to you regarding the execution of the concept. I have a few questions on the public share of the maintenance of the Center.

ORIGINAL CONCEPTION OF FEDERAL PARTICIPATION

When the Center was originally conceived, when it was in its original conceptual stages, was it part of the conception that the taxpayers would share in the maintenance and operation of the Center?

Mr. STEVENS. No, sir.

Mr. WYATT. How did this evolve? I think it's important to get this on the record and that we have it all laid out in the open.

Mr. STEVENS. It became involved when the multitude of people started going through the Center.

Mr. WYATT. After the Center was open, obviously.

Mr. STEVENS. That is right. As I have said before, the use of the theaters are restricted to 24 hours a week. When we originally planned the concept, before we made it a memorial, I was thinking of it in terms of a theater operation.

¹ The above represents established theaters for comparison with the Kennedy Center. We were not able to locate any comparable newly opened theaters to compare with the Kennedy Center.

² Godspell equals 33 weeks.

Mr. WYATT. You don't have to pay any admission tax to the District of Columbia, do you?

Mr. STEVENS. We don't think so. Our counsel says no.

Mr. WYATT. As of the present time, you haven't been?

Mr. STEVENS. We haven't been. We do have a subsidy. Once the building is paid for we don't have any interest or principal so there is no reason why the building, if it is operated as theaters, pretty well couldn't pay for itself.

ADOPTION OF A MEMORIAL

Mr. WYATT. When was the idea of making this a memorial to President Kennedy first really adopted?

Mr. STEVENS. Right after the assassination.

Mr. BECKER. Perhaps I could summarize that briefly and supplement what Mr. Stevens has stated.

The Kennedy Center was first established as a national cultural center in 1958. It was conceived more as a private kind of operation which was supposed to be the national showcase for the performing arts and to give the United States something that you would find elsewhere in the world where you have a national theater.

President Kennedy was very interested in seeing this project brought to fruition. It was only as a result of his death that it was not possible to achieve it through private fundraising. He had a very ambitious program slated, as I understand it.

Mr. Stevens is probably very aware and can recite some of the details of what had been worked out prior to President Kennedy's assassination.

I think the record will show that immediately after his death it was thought that converting the national cultural center into a national memorial, a national monument in the Washington area to his memory, was perhaps the most appropriate way of memorializing him. It was as a result of a joint resolution of both Houses of the Congress followed by a joint hearing of the Senate and the House Public Works Committees, that the National Cultural Center was converted to a memorial.

It was at that time that there was really a change of concep. But I don't think that anyone at that time foresaw all of the ramifications in the conversion of an institution, which was previously supposed to be a set of theaters, to an institution that was a memorial. Of course, some of the problems that we face today are things that were not wholly accounted for in 1964. I don't think anyone should be blamed today or in 1964 for not taking into account everything, because there was such a complete change of project in 1964.

It was only as a result of the continued efforts of Mr. Stevens under very adverse circumstances, helped out by the other members of the board of trustees, that were were able to overcome many of these difficulties that resulted in the project that you have.

In answer to your question, I don't think anyone could envision in 1964—when we had the conversion of the National Cultural Center to the National Monument in memory of President Kennedy—the results that you have today.

STATEMENTS RELATING TO FEDERAL PARTICIPATION IN MAINTENANCE COSTS

Mr. WATT. Either of you can answer this, for this is something that I would anticipate we may be asked on the floor. Have there been statements made in the past as the concept has evolved that there would be no cost to the taxpayers for the operation and maintenance of the Center?

Mr. STEVENS. Yes, sir. Back before it was converted into a memorial, prior to 1964, I stated that I thought that the income could carry the operating costs of the Center.

Mr. WYATT. Were any statements made by you or any officers of the Center or members of the board of trustees since that time in the firm assurances that it would not be maintained at public cost?

Mr. STEVENS. I have always said, sir, that I thought that the Kennedy Center could carry itself, except the public service. I stated that performing functions as a memorial is a public service. This has been my position over a period of years. The act calls for much public service that we don't do because we don't have a budget for it.

Mr. WYATT. I am not sure that exactly answers the question. What I am trying to put on the record is whether or not Congress and the American public have had assurances against the sort of thing we are really undertaking to do now, at least very recently.

Mr. STEVENS. To the best of my memory I have never said that anything other than that the performing arts functions of the building could be paid for by itself. I still believe that we can carry it out. We can't do things that are in the act without money. I have always said that.

HOURS OF OPERATION

Mr. WYATT. On the formula of charging up two-sevenths of the total time immediately to the Federal Government for the nonperforming arts section, and then on the basis of 10 hours out of 15 hours of the other 5 days being nontheater hours, who makes the decision as to the number of days the Center is open and the number of hours the Center is open?

Mr. STEVENS. You say who makes the decision? The Trustees would. But if the Park Service takes it over as a memorial, it will be open every day of the year.

Mr. WYATT. Twenty-four hours a day?

Mr. STEVENS. No. It's closed from midnight to 8:30 a.m.

Mr. WYATT. After that takeover, would the Park Service make the decision as to the days it's open and the hours of the days?

Mr. STEVENS. Yes, sir; that would be their decision.

Mr. WYATT. It's your decision up until the time you reach agreement with them, and then it becomes their decision?

Mr. STEVENS. That is right.

Mr. WYATT. What I want to be clear on is that there is nothing magic about being open 7 days a week or being open 15 hours a day. This is something that is subject to determination by whoever is in charge of the public portions of the Center; is it?

Mr. STEVENS. That is right, sir, except at least in my opinion if we are getting funds from Congress for this purpose, that the building should be kept open as much as possible as a memorial.

Mr. WYATT. That is, of course, up to Congress to determine, Mr. Stevens. They may determine that there may be a substantial saving in, perhaps, closing it at 7 o'clock at night instead of midnight.

Mr. STEVENS. Of course, then we have the theaters going on in the evening.

Mr. WYATT. Perhaps it shouldn't be open as early in the morning as it is. I don't know. I am just saying this is a formula which is based upon a 15-hour day. This is going to cost more because that puts a larger share on the taxpayer, so to speak.

Mr. STEVENS. That is right, sir. But, as a memorial, just as you do appropriate money for the Jefferson, Lincoln, and Washington monuments in fairly substantial amounts, they are to be kept open.

Mr. WYATT. They are considerably different from the Kennedy Center as far as wear and tear and the need for security, and so forth. I would compare the Kennedy Center a great deal more to Mount Vernon, for example, which is, of course, maintained privately. I am sure that the hours there aren't anything comparable to the hours that we are talking about here.

That is all I have. I wanted to be sure this was a part of the record.

PRIOR STATEMENTS CONCERNING FEDERAL FUNDS

Mr. BECKER. Perhaps I could supplement one response that was given. A question had been raised before as to the prior statements and prior commitments made concerning the obtaining of Federal funds.

Mr. WYATT. The question will be raised again when we go to the floor.

Mr. BECKER. I think it would be helpful for the committee if we were to supplement the record with information which has been previously provided to another committee of the House.

Mr. WYATT. A summary of previous statements?

Mr. BECKER. Yes, and also an explanation of why these statements may have been made, which ties in to some of the prior testimony today.

Mr. WYATT. I think to solve this question and the uncertainty about it once and for all, it would be very helpful if we had a summary of statements made by Mr. Stevens or anyone speaking for you, before any congressional committee in connection with construction costs or operating and maintenance costs. I think this would be very helpful, Madam Chairman.

(The information follows:)

JOHN F. KENNEDY CENTER FOR THE PERFORMING ARTS

The following are excerpts from hearings and legislative reports relating to commitments of the Congress and the Kennedy Center concerning additional funds for construction and funds for operation and maintenance.

1. Hearings, Joint Session of the House and Senate Committees on Public Works, 88th Congress, first session, December 12 and 16, 1963.

(a). At pages 62 and 63, the following interchange between Representative Cramer and Mr. Roger L. Stevens took place:

Representative CRAMER. Will this legislation obligate the Government in any way for maintenance and operation in the future?

Mr. STEVENS. No, sir. We feel that in our income from rentals we will have enough money for proper maintenance and even going so far as depreciation of equipment.

* * * * *

Representative CRAMER. I just have one more question, Mr. Chairman.

Would you examine again the duties and responsibility referred to in the basic act by Mr. Robison, the distinguished gentleman from New York, and give some further considerations as to whether you do not feel that some modification of those duties would be necessary to operate this not only as a national cultural center but as a memorial to President Kennedy as well? It appears to me from reading the language that obviously you would not have the authority to take care of what obviously will be needed to be done in the way of modification and in the way of properly setting forth the remembrances of the record for all posterity as a memorial in this same building.

Do you not think you should reconsider your answer to that question and do you not in fact feel those duties are too narrow?

Mr. STEVENS. In reconsideration, my answer to the question—I just read the act of what our duties were in the board. I would agree with you, I think there are a number of things that would be beneficial to the country as a whole if the Cultural Center was able to handle the memorial financially.

I also feel that once the first aim is accomplished and money is available for the buildings, and the buildings are built, that there will tend to be funds for what we call special projects. We may find, as you say, we are too limited and we may have to come back and say that we do not feel we have sufficient authority to do some of the things that we feel will be very good for the country if we were able to do them.

Representative CRAMER. I would assume that some natural modifications would be necessary in your present plan if, in fact, this is to be a presidential memorial in Washington commemorating the record of the deceased President and his contribution to the history of this country.

(b). At page 74, Representative Jones stated:

Mr. JONES. The committee went through this very carefully. I believe it was in July of this year and in 1958.

We were reasonably satisfied on the figures that Mr. Stevens submitted to the committee that there would be no further need for Congress to authorize further money for its operation.

(c). At page 100, Mr. Stevens responded to a question of Representative Cramer:

Mr. CRAMER. Mr. Stevens, have you any reservations about the cost of operation and maintenance requirements having to be met in the future by the Federal Government?

Mr. STEVENS. In July we had an estimate of the proposed income and expenses which made it appear that we could operate the building without a deficit. I have had no information since to change that opinion.

I must point out to members of the committee that we do not engage in any operations here. At least, our present plan is to rent the hall to organizations that wish to use it. We feel there is a great demand for this hall or halls, and there should be sufficient rentals to cover the cost. After all, a great number of theaters are operated in the country that have to pay interest and principal and real estate taxes. We get an indirect subsidy because we do not have to pay real estate taxes. I would be very much surprised if we did not break even, if not earn a surplus.

Certainly, if private individuals can own theaters and make money out of them, with the property completely paid for and without a real estate tax burden there is no reason why this cannot break even.

2. Hearings, Subcommittee of the House Committee on Appropriations, 88th Congress, second session, February 20, 1964. At page 1452, Mr. Stevens stated:

A prepared estimate of present income and expenses for the Center demonstrates that it will be operated without a deficit and without a request for an appropriation for operation and maintenance.

3. Committee on Public Works, Senate Report No. 784, December 17, 1963. The report states the following at page 3:

The board feels that the Center could be operated without a deficit, thus eliminating annual appropriations for operation and maintenance.

4. Committee on Public Works, House Report No. 91-309, June 12, 1969. The committee makes the following recommendations at page 6:

The committee recommends enactment of H.R. 11249. The John F. Kennedy Center for the Performing Arts cannot be completed without the additional funds which this bill would authorize. The committee was advised that these additional funds cannot be obtained from other sources. Further delay would increase the

cost of completion of the structure at a rate which now approximates 12 percent a year. The importance of the Center to the performing arts and the cultural life of this Capital City in the Nation is well recognized.

However, with this recommendation the committee wishes to point out, to underline and underscore the following fundamental committee position as regards the John F. Kennedy Center. This is the last request for any public funds for the John F. Kennedy Center which the committee will entertain. Under no circumstances will this present committee at a future date give consideration in any manner, size, shape, or form to any further funding for the John F. Kennedy Center. The committee believes that the evidence submitted by the witnesses and the record presented to it points out the need to increase financing for the Center from some \$46.4 million to \$66.4 million. The need is there and for the reasons stated above the committee recommends enactment of the bill with the same understanding that this is the last funding the committee will consider.

5. Hearing, Subcommittee on Public Buildings and Grounds, Committee on Public Works, House of Representatives, May 26, 1969. The following discussion took place between Mr. Stevens and Representatives Gray and Cramer:

Mr. CRAMER. So that, at least, will fix the cost. Now you indicate that this estimated cost of 66.2 is the fixed cost, is that correct?

Mr. STEVENS. That is correct, sir.

Mr. CRAMER. Do you give this committee complete and full and unequivocal assurance that you will not come back for any additional money for the construction of this facility?

Mr. STEVENS. Well, I think it is the duty of the trustees to complete the building with the funds if this bill goes through that are available to us, sir.

Mr. CRAMER. I want to ask the question again. It is going to be asked of us on the floor. If we cannot give this assurance, I do not think the bill has a Chinaman's chance.

Can you give this committee the assurance that you will not come back for any additional money for the construction of this facility?

Mr. STEVENS. As far as I am concerned, sir, whatever authority I have as chairman of the board, I will assure the committee that we will not be back to ask for any more money.

Mr. CRAMER. I can equally assure you that if there is an effort to get more money, this member will not be for it, because I think we have to commit to the Congress at a given figure that this is it. Certainly at this time, in an effort to finalize it, we have to assure the members on the floor of the House that this is the figure and that is all there is.

Mr. STEVENS. That is right, sir.

Mr. CRAMER. I would suggest to you as far as this member is concerned, I would have no intention at all to go to the floor again asking for another authorization for any Federal matching money.

Mr. GRAY. As subcommittee chairman, let me agree with the gentleman wholeheartedly. As long as I am chairman, this is it as far as I am concerned.

6. Committee on Public Works, Senate Report No. 91-327, July 22, 1969. The committee set forth its views as follows at page 6:

In reporting H.R. 11249 the committee recognizes the need for completing the construction of the John F. Kennedy Center at the earliest possible date. To interrupt construction of the facility at this time would jeopardize the \$15,500,000 which the Federal Government has already invested in the project, would deny the use of this long desired cultural center to the many people who visit and live in the Nation's Capital, and would probably cost an additional \$10 million to complete at a later date. However, the committee wants it clearly understood that the Center must be completed within the proposed cost of \$66,400,000 and if, by any chance, this figure has been underestimated any additional funds required must be raised by the board of trustees through private subscription. The need to complete the Center is urgent and the committee recommends the enactment of H.R. 11249.

7. Committee on Appropriations, Senate Report No. 91-616, December 17, 1969. The recommendations of the committee concerning the Kennedy Center included the following:

The committee recommends an appropriation of \$7,500,000, the amount of the House allowance and the budget estimate, for the John F. Kennedy Center for the Performing Arts. This amount is the Government's share needed to match non-Federal contributions to meet the additional cost of constructing the Center, which now totals \$66,200,000. The committee is assured that no additional Federal funds will be requested.

8. Committee on Public Works, House Report No. 629, 88th Congress, first session, August 1, 1963. The statement of committee views included the following at page 3:

"During the hearings on this legislation the committee was advised that the Trustees of the Cultural Center had considered not only the question of raising the funds for the actual construction of the building but also the problem of the operation and maintenance of the Center once it is completed. Testimony received by the committee indicated that those responsible for the operation of the National Cultural Center are formulating plans under which, both by investments of funds received by the Center and by rentals, revenue would be made available to the Center to maintain and operate the National Cultural Center once it is built."

9. Hearings, Subcommittee of the Senate Committee on Appropriations, December 2, 1969. Mr. Stevens responded at pages 76 and 77 to questions of Senators Byrd and Ellender as follows:

"Senator BYRD. Would you like to respond, Mr. Stevens?"

"Mr. STEVENS. Yes, sir."

"We have given considerable thought to operating costs and I have said on a number of occasions before committees that as a real estate operation, sir, from the rentals we can break even without too much trouble."

"Senator ELLENDER. Including repairs."

"Mr. STEVENS. I have further reiterated if there is any public service involved, somebody has to pay for it but as a real estate operation, sir, when you have four different halls, three large ones and one small one, the rental will be sufficient to carry it."

"If Congress wishes us to do public service, that is something else again and someone will have to pay for it. I have had nine theaters under operation in New York and have checked these figures out with people who have operated a great number of theaters and I feel satisfied from that point of view that we can break even."

Mr. GALIFIANAKIS. Congressman Wyatt is right. When the appropriation came up we were faced with those questions. You are correct, the Center was sold at least on one basis—it was going to be wide open to the public and for the first time children would have an opportunity to review the performing arts, which is quite inconsistent with what we hear.

Mrs. HANSEN. Children can see the performing arts if there is a sponsor for the production. For example, the National Arts Endowment, might sponsor a production. If they want to set aside two or three productions for children, they can do it.

Mr. STEVENS. Also the Office of Education has sponsored free concerts for children in the concert hall. There has been a lot of that this year.

Mrs. HANSEN. The Federal Government maintains Hyde Park, which is President Roosevelt's home. We maintain Theodore Roosevelt's home for visitors. We maintain John F. Kennedy's childhood home. There are many people who come to the Nation's Capitol to see something that is dedicated to John F. Kennedy. The American people had a deep and abiding affection for him.

Mr. GALIFIANAKIS. Madam Chairman, may I welcome Mr. Stevens and the other gentlemen with a particularly special welcome to Mr. Spaulding who happens to be a lifelong good friend and a constituent of mine. He comes from a very resplendent family in my region. I am delighted to see you here.

Mr. STEVENS. We are delighted that he is aboard. Thank you, Madam Chairman.

Mrs. HANSEN. Thank you very much, Mr. Stevens. Thank you, gentlemen.

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